

# 2019 Report On Responsible Investment



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 **Desjardins**  
Global Asset Management

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# Message from the President and CEO



**Nicolas Richard**  
President and CEO

At Desjardins Global Asset Management (DGAM), responsible investment (RI) is much more than a trend: it's key to our management philosophy. We are committed to contributing to sustainable prosperity for people and institutions through RI while making a positive impact on society, and we plan to accomplish this by leveraging our leading expertise in asset management.

We are excited to see that interest in environmental, social and governance (ESG) issues among individual and institutional investors is growing stronger and stronger. Desjardins has offered RI solutions for over 30 years and the expertise we've developed over this time has made us a major player and enabled us to keep up with the changing needs of our partners and clients.

Today, we have over \$2 billion in RI assets under management<sup>1</sup> and we are proud to support Desjardins's ambitious climate change targets in line with the principles of the Paris Agreement. Desjardins's capital management strategy involves, among other measures, a 25% reduction in the carbon footprint of the companies in our portfolios (vs. market benchmarks) and prioritizing renewable energy for our direct infrastructure investments. These two commitments alone have had an impact of nearly \$15 billion on total managed assets<sup>2</sup>.

DGAM's leadership in the field of responsible investment is not limited to stock picking and buying and selling securities. Our unique approach to shareholder engagement also plays a fundamental role in encouraging the companies we invest in to improve their ESG practices. Consequently, the energy transition and diversity on boards of directors are priority issues that guide our votes, our discussions with management and our research and influence efforts. In addition, we collaborate closely with organizations in Quebec, Canada and around the world to increase the visibility, relevance and impact of RI.

<sup>1</sup> DGAM, June 2020.

<sup>2</sup> *Idem*.



In 2018, we expanded our offering by launching Canada's first range of exchange-traded funds (ETFs) designed in accordance with RI principles. In addition, we incorporated ESG analysis into the management of our real estate portfolio, which is valued at nearly \$4 billion.<sup>3</sup> We also adopted a governance structure to set and achieve targets in line with the Global Real Estate Sustainability Benchmark (GRESB) and the Principles for Responsible Investment (PRI), to which we are signatories. As a result, our RI approach is now adapted for all categories of assets.

To help us achieve our goals and innovate as a responsible asset manager, we have a team of RI specialists working at every stage of our investment management process. With their help, we are able to offer our partners and clients innovative and responsible investment portfolios while making progress on achieving Desjardins's mission.

This report outlines our approach to responsible investment and the convictions that drive this strategy. It's about the actions we take every day to incorporate RI into our portfolio management practices. We are very proud of what we have been able to accomplish so far, and the entire team is dedicated to continuing to build on this success. We are excited to share this report with you and demonstrate how we intend to strengthen DGAM's position as a responsible investment leader.

**Desjardins has offered RI solutions for over 30 years and the expertise we've developed over this time has made us a major player and enabled us to keep up with the changing needs of our partners and clients.**

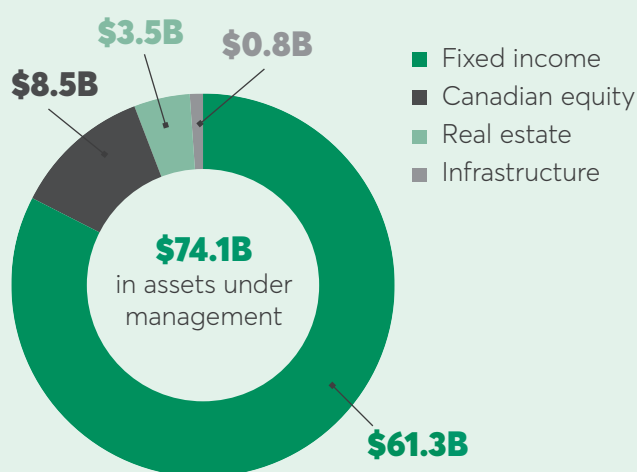
<sup>3</sup> *Idem.*

# What is DGAM?

## Desjardins Global Asset Management (DGAM)

Desjardins Global Asset Management (DGAM) is Desjardins's institutional portfolio manager. DGAM is dedicated to the success of its partners and clients. To this end, it has set up teams that combine discipline, accessibility and innovation to design investment solutions adapted to a diverse range of needs.

With CAN\$74 billion in assets under management,<sup>4</sup> DGAM ranks as one of the largest asset managers in Canada.



Source: DGAM.  
Data as of June 2020.

### Our commitment

DGAM combines the stability and expertise of its teams with ongoing support for partners and clients, making it a preferred ally for sustainable and responsible asset growth.

### Pillars

#### ETHICS AND INTEGRITY



DGAM seeks to contribute to the advancement of society in accordance with Desjardins's cooperative values. Integrity and commitment form the foundation of all of its business and management practices.

#### RESPONSIBLE INVESTMENT



We strongly believe that incorporating environmental, social and governance (ESG) criteria into our investment management practices can yield higher investment returns. Our goal is to help our clients grow their assets by maintaining an optimal risk-return ratio while contributing to sustainable prosperity for communities and future generations.

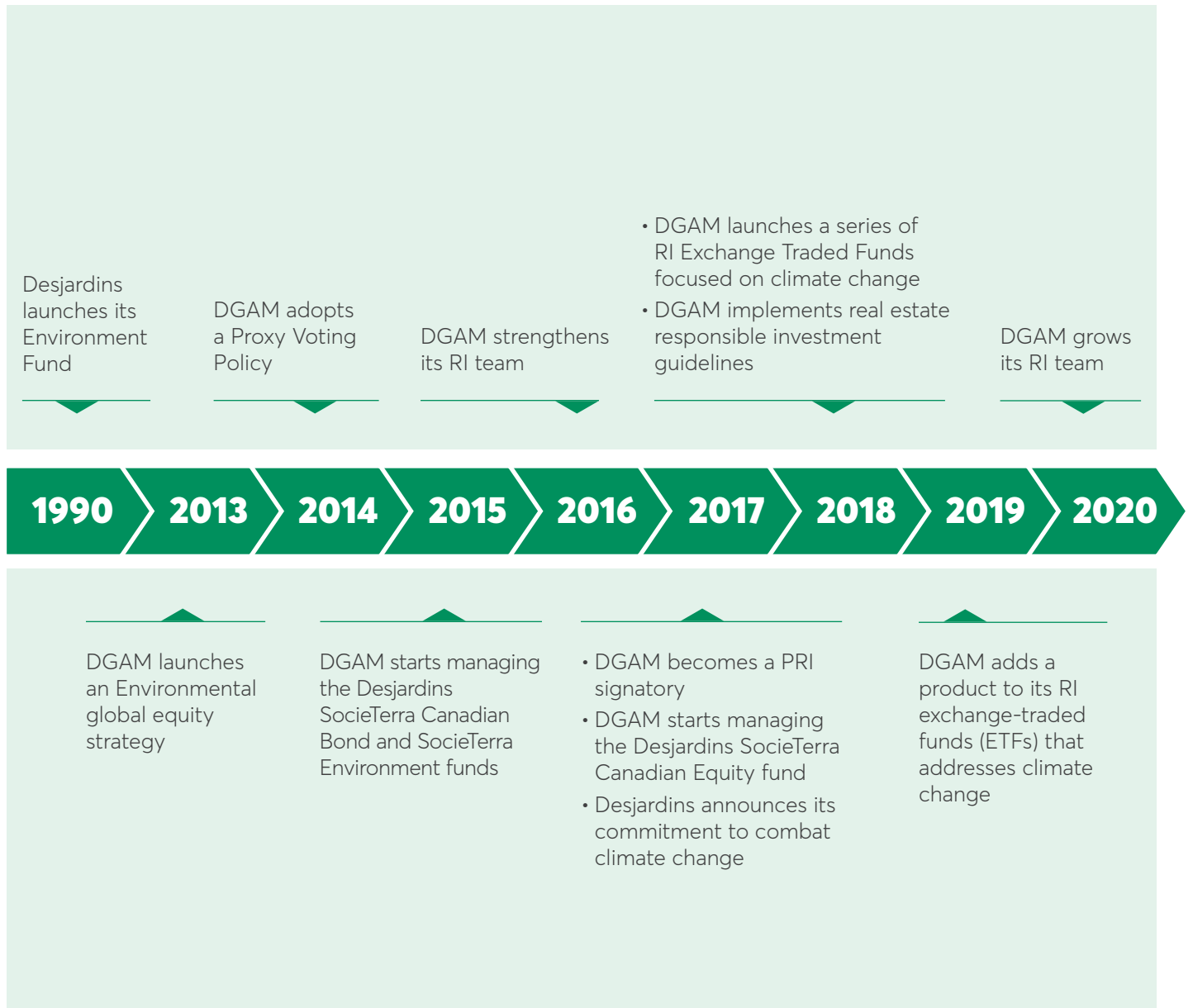
#### COOPERATION



The team fosters collaboration with its specialists and its partners and clients. In a world that is constantly changing, DGAM takes an agile approach, tailoring its investment solutions to people's evolving needs.

<sup>4</sup> DGAM, June 2020.

## THE HISTORY OF RI AT DGAM



Source: DGAM, June 2020.

**DGAM has a wealth of experience in RI.**

# ESG integration and shareholder engagement: the keys to our RI strategy

Responsible investing incorporates environmental, social and governance (ESG) criteria into investment selection and management practices and is becoming more popular year over year. In fact, RI already represents over 50%<sup>5</sup> of assets under management in Canada.

There are several explanations for this shift. First of all, the job of a portfolio manager is to effectively allocate an investor's money in keeping with their financial goals and specific needs. The popularity of RI has grown precisely because ESG criteria help managers better evaluate risks and opportunities, which improves asset allocation even as they contribute to the sustainable development of communities.

RI is also featured in the new corporate governance principles adopted in August 2019 by [Business Roundtable](#). These principles advocate for a wider societal role for corporations, centred on the interests of clients, employees, suppliers, shareholders and local communities. "It is the only way to be successful over the long term," explains Jamie Dimon, CEO of American investment bank JPMorgan Chase. DGAM believes that now, more than ever, financial resources should be put to work in service of human development.

The *Final Report of the Expert Panel on Sustainable Finance*, published by the Government of Canada, echoes these sentiments and concludes that the financial sector's aim should be "connecting the dots" between Canada's climate objectives, economic ambitions and investment imperatives."<sup>6</sup> While the expert panel's mandate is to study the transition to a low-carbon economy, similar conclusions may be drawn regarding other ESG issues.

## DGAM's contribution to the well-being of people and communities

DGAM is proud to contribute to sustainable and inclusive prosperity.

DGAM's responsible investment approach is directly aligned with Desjardins's commitment to the economic and social well-being of people and communities.

<sup>5</sup> RIA, February 2018, 2018 Canadian RI Trends Report: <https://www.riacanada.ca/research-advocacy/ria-research/>

<sup>6</sup> Government of Canada, 2019, *Final report of the Expert Panel on Sustainable Finance*, [http://publications.gc.ca/collections/collection\\_2019/eccc/En4-350-2-2019-eng.pdf](http://publications.gc.ca/collections/collection_2019/eccc/En4-350-2-2019-eng.pdf)

## RESPONSIBLE INVESTMENT:

### IS CONSISTENT WITH OUR MANDATE AS PORTFOLIO MANAGERS.

We believe that incorporating ESG criteria into investment selection and allocation practices, while also providing effective risk management and seizing investment opportunities, is in complete alignment with portfolio managers' **fiduciary duty**.



### REQUIRES ACTION AND INNOVATION.

For innovation to be possible, actions must be grounded in facts and supported by exhaustive research. RI approaches have evolved and become more sophisticated over the years. Meanwhile, recent studies have **dispelled the myth that responsible investments underperform**.<sup>7</sup>



**DGAM's RI approach is grounded in 4 key convictions**

### INVOLVES INSPIRING AND INFLUENCING.

**Shareholder engagement** is an effective means to effect change at organizations. Dialogue and proxy voting allow us to exercise positive influence over companies. These actions often turn out to be beneficial for all stakeholders involved.<sup>8</sup>



### MEANS TAKING A LONGER-TERM VISION.

We need incentives to shift from a short-term perspective to a **long-term**, future-oriented vision of investing.



DGAM's RI specialists bring these convictions into action by continuously monitoring ESG issues and working closely with financial analysts and portfolio managers to offer investment solutions that meet the needs and expectations of our partners and clients while respecting sustainable development principles.

<sup>7</sup> Gunnar Friede, Timo Busch & Alexander Bassen, December 2015. *ESG & Corporate Financial Performance: Mapping the global landscape*. Deutsche Asset & Wealth Management and Hamburg University.

<sup>8</sup> E. Dimson, O. Karakas & X. Li, *Active Ownership*, August 2015. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2154724](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154724).



# Integrating ESG criteria into DGAM's investment practices

## Public markets

DGAM uses an innovative approach to integrate ESG criteria into its investment solutions. Before an investment is added to the portfolios, DGAM's portfolio managers and the RI team rate the company's financial health and its ESG practices. The main steps in the investment process are summarized below:

### ESG CRITERIA IN FINANCIAL ANALYSIS



Source: DGAM, June 2020.

## SCREENING

All potential investments undergo norms-based screening and negative screening. Norms-based screening is based on international standards, norms and treaties, such as the Convention on Cluster Munitions and the Ottawa Treaty banning anti-personnel landmines. Negative screening filters out sectors and companies whose revenue-generating activities run counter to the values of DGAM, its partners and its clients (for example, the production and manufacturing of tobacco).

The first exclusion filter that DGAM applies to its responsible investment solutions is inspired by the UN Global Compact.<sup>9</sup> Other exclusions may then be applied depending on the goals and preferences of our partners and clients.

<sup>9</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

## APPLYING ESG CRITERIA TO STOCK SELECTION

In addition to a financial analysis, companies are evaluated for the effectiveness of their ESG practices. This helps measure risk and identify opportunities that are likely to positively influence long-term growth.

Every sector and every company has a unique business model and ESG risk profile. DGAM examines the risk factors associated with each sector and company and follows the guidelines set by the Sustainability Accounting Standards Board (SASB). In its assessment of companies, the RI team analyzes the strategies implemented by the board of directors and senior management to address ESG risks. In addition, DGAM closely monitors major controversies on the markets and, more importantly, the manner in which the companies involved in these incidents respond.

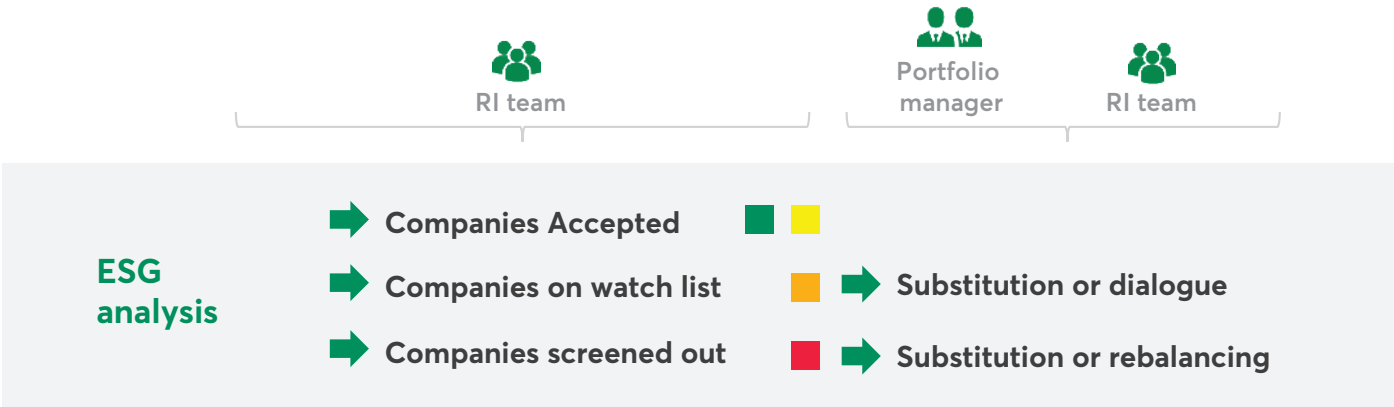
To achieve its objectives, DGAM draws on a large corpus of specialized data supplied by trusted names like MSCI, ISS and Trucost. Companies are divided into four categories, as illustrated in the image below. The portfolio managers then use this classification to narrow down the list of potential investments to the best performing candidates. The portfolio managers also work closely with the RI team to decide on the best approaches to take with regard to companies on a watch list.

### SPECIFIC ESG OBJECTIVES

Depending on the investment mandate, an ESG component may be incorporated into the investment objectives. For example, portfolio decarbonization and ESG scores have been added to the investment objectives of some of our strategies. The portfolio managers take these objectives into account when building portfolios, while being careful not to sacrifice financial returns.

Once the companies are selected, DGAM uses **shareholder engagement** (a strategy described further in this section) to improve the practices of the companies whose assets are held in the portfolios.

### ANALYSIS-BASED DECISION-MAKING PROCESS



Source: DGAM, June 2020.

### EXAMPLES OF ESG CRITERIA



Source: DGAM, March 2020.

# Private markets

## REAL ESTATE

Since 2018, DGAM has gradually incorporated ESG criteria into its real estate investment practices, including its real estate acquisition and development strategy and all stages of the asset management process. The ESG strategy is applied to all categories of real estate assets, including office buildings and commercial, industrial and residential properties.

DGAM has adopted the following measures to date:



### **Establishment of an ESG governance committee for real estate investments**

Headed by the Vice-President of Real Estate Investments, this committee is responsible for implementing an ESG strategy for its real estate investments.



### **Publication of the Real Estate Responsible Investment Guidelines**

DGAM documented its ESG approach in its [Real Estate Responsible Investment Guidelines](#), which outline DGAM's commitments and define its scope of intervention.



### **Adoption of an ESG data management system**

DGAM uses the Mesurabl platform to measure and monitor a range of indicators related to ESG factors for each of its properties, such as energy use, water consumption and residual waste production. This data management system makes it possible to track each site's performance year over year and make comparisons between sites. In turn, this enables DGAM to set objectives grounded in ESG criteria, measure performance in light of these objectives and conduct annual evaluations of key environmental and social indicators for all assets held in the portfolio.



### **BOMA BEST® or LEED® building certification in 2019**

DGAM's goal is to certify 100% of its buildings by 2023. To be certified, buildings must meet the criteria required for [LEED®](#) or [BOMA BEST®](#) certification, such as sustainable site development, energy efficiency and effective health and safety management.



### **Annual participation in the Global Real Estate Sustainability Benchmark (GRESB) survey**

GRESB is an ESG benchmark for real estate assets and sustainable infrastructure investments.<sup>10</sup> DGAM has participated in the GRESB survey since 2018.



### **Promotion of the use of ESG criteria by commercial partners and property managers**

DGAM has informed its 15 property managers of its commitments. It also assigns each of them an ESG score each year, which is based on a range of criteria.



### **Carbon-neutral since 2017 through carbon credit purchases**

As part of its climate commitments, in 2017 Desjardins pledged to offset its greenhouse gas emissions through the purchase of verified carbon credits. As a result, DGAM's real estate portfolio is now carbon-neutral.

<sup>10</sup> <https://gresb.com/about/#do>

## INFRASTRUCTURE

In infrastructure, ESG analysis is combined with traditional risk diversification and high-yield strategies targeting stable and predictable long-term cash flow. Weightings and scores are assigned to the various ESG criteria, which then influence the analysis of each co-investment infrastructure project and the selection of external managers for indirect investments. The costs associated with ESG risks are taken into account in the financial models and may result in an investment being withdrawn. DGAM also maintains dialogue with external managers to ensure they incorporate effective ESG criteria in every stage

in the project's development. DGAM's commitment to addressing ESG issues naturally leads it to foster relationships with external partners that share its values. In 2019, 77% of our external partners were already PRI signatories.



# Shareholder engagement by DGAM

When investors avail themselves of their rights and privileges as shareholders in order to influence the companies they invest in, these actions are referred to as shareholder engagement.

DGAM's leadership in the area of responsible investment is not limited to ESG risk analysis during stock selection. DGAM also uses its influence to mobilize shareholders,<sup>11</sup> a proven technique for reducing risk, optimizing returns and generating a positive impact on society and the environment. Proxy voting, shareholder dialogue and discussions with public decision makers are fundamental tools for encouraging the companies in the portfolios to improve their sustainable development practices.

**DGAM's leadership in the area of responsible investment is not limited to ESG risk analysis during stock selection.**



**Dialoguing** with companies to improve their ESG practices



**Voting at shareholder meetings** to influence ESG practices



**Sending a team from Desjardins to visit** a company's facilities

Source: DGAM, March 2019.

<sup>11</sup> UN PRI, *A Practical Guide to Active Ownership in Listed Equity*. 2018. <https://www.unpri.org/download?ac=4151>



## Exercising voting rights

By exercising its **voting rights**, DGAM is able to address all the topics raised at annual shareholders' meetings. DGAM emphasizes this strategy because it recognizes that it has a responsibility to take a firm stand on all proposals submitted to the shareholders of the companies it invests in, in keeping with the values of Desjardins and of its partners and clients.

DGAM applies its **Policy on the Exercise of Proxy Voting Rights** to all its investment funds and portfolios. In compliance with its regulatory obligations, DGAM **discloses all of the voting rights it exercises** in connection with DGAM Funds and Desjardins ETFs on an annual basis.



Here are some key data and statistics on the voting rights exercised by DGAM during the period from January 1 to December 31, 2019:<sup>12</sup>



DGAM reviewed **3,919** corporate meetings and **42,646** proposals submitted to a shareholders' vote.



Proposals dealt with the election of directors.

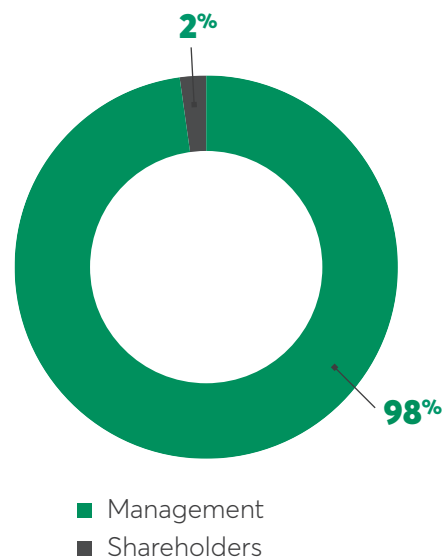


Voted in favour of proposals submitted by management



Support of the proposals submitted by shareholders.

### Where proposals are coming from



<sup>12</sup> DGAM. Data as of December 2019.

## Highlights from 2019<sup>13</sup>

### PROPOSALS FROM MANAGEMENT

DGAM abstained from voting or voted against 39% of director nominations. The primary reason cited for opposing candidates was their lack of independence. Another common justification was that the candidate held too many external mandates; for example, serving on more than four boards of directors (two if they concurrently serve as a chairman).

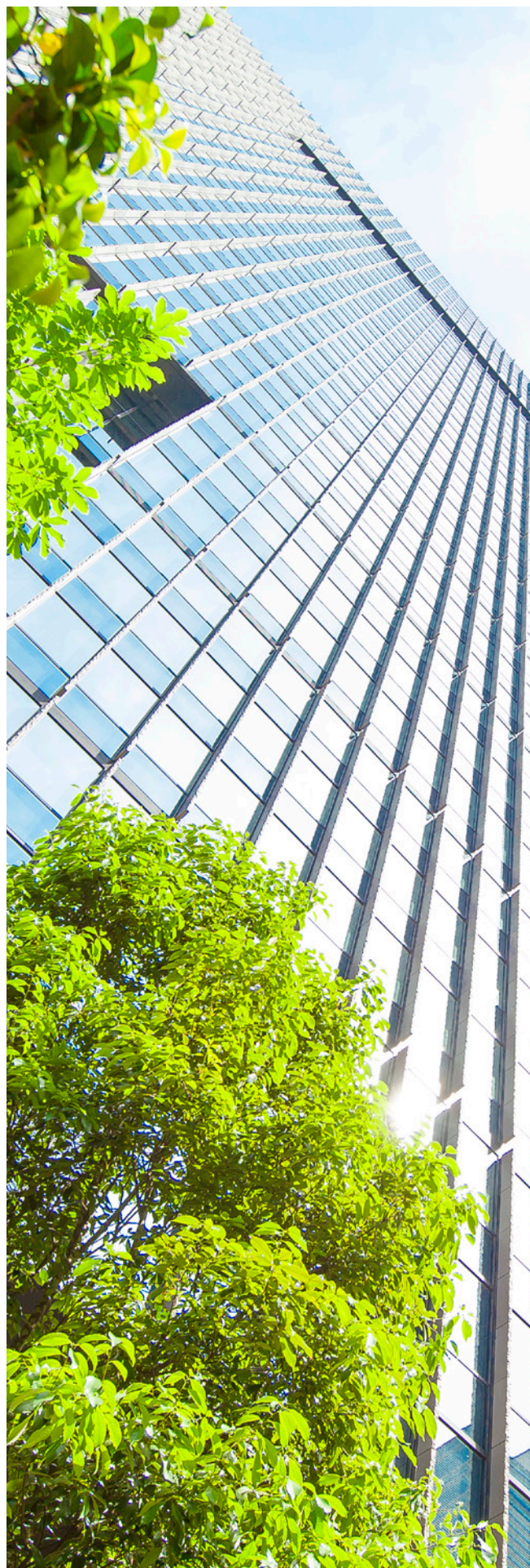
### Diversity

DGAM's *Policy on the Exercise of Proxy Voting Rights* is reflected in Desjardins's participation in the [30% Club](#), whose mission is to encourage chairs and CEOs to improve the representation of women on boards and in senior executive positions. DGAM voted against the chairs of the nominating committees or of the boards of directors of 291 companies because they had fewer than two female directors on their boards.

### Director compensation

The percentage of "No" votes in response to "say on pay" advisory proposals from management was 50%. DGAM votes against these director compensation proposals when it deems them as going against the best interest of shareholders or the company. The most common reasons for voting "No" are excessively high severance packages, stock options in incentive pay plans that make it difficult to assess actual compensation and a percentage of total dilution of the shares reserved for the director compensation that exceeds 10%.

<sup>13</sup> All the data in this section are from DGAM, as at December 31, 2019.



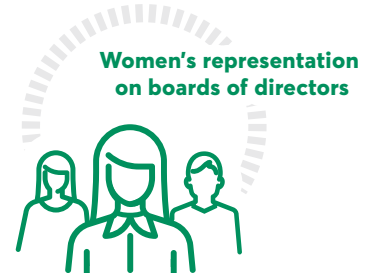
## SHAREHOLDER PROPOSALS

The number of shareholder proposals in 2019 was 30% lower than in 2010.<sup>14</sup> This decrease can be attributed to several factors, including increased dialogue with shareholders and stakeholders, alternative campaigns to put pressure on directors and a greater share of shareholder proposals submitted by non-financial groups. According to ISS, a proxy advisory firm, 46% of proposals submitted during the 2019 voting period were withdrawn in favour of dialogue between the company and its investors. At the same time, DGAM has observed a significant increase in the number of proposals related to environmental and social (E&S) issues in several countries. In the United States, for example, they account for 56% of all shareholder proposals.<sup>15</sup>

The relative decline in the proportion of shareholder proposals submitted by financial institutions in recent years is also related to the fact that financial institutions are increasingly incorporating ESG criteria into their own investment selection practices and prioritizing dialogue over shareholder proposals. Meanwhile, non-financial groups accounted for nearly 15% of proposals submitted in 2019.<sup>16</sup> These groups include, for example, the National Center for Public Policy Research, People for the Ethical Treatment of Animals (PETA) and the Human Society of the United States. These groups' proposals are often more constraining than those brought forward by financial institutions and can sometimes even compromise the competitiveness or economic survival of the company in question.

Alternative forms of shareholder activism have also grown in popularity. For example, the launch of "vote no" campaigns by some shareholders has had a real impact on boards of directors. According to the Conference Board's *Proxy Voting Analytics* report, the proportion of directors of Russell 3000 companies receiving less than 50% of votes increased from 37% in 2016 to 54% in 2019. Over the same period, the number of directors receiving less than 70% of votes rose from 273 to 421.<sup>17</sup>

This new reality partly explains why DGAM withheld its support for a number of environmental and social proposals submitted in 2018 and 2019. Last year, DGAM voted in favour of 58% of shareholder proposals, which dealt primarily with climate change, the disclosure of political contributions and lobbying activities, respect for First Nations and various human rights issues. Pursuant to its *Policy on the Exercise of Proxy Voting Rights* and these guidelines, DGAM declined to support proposals that were deemed too constraining, failed to take the organization's efforts into account or were inappropriate or ill-suited for the company in question.



<sup>14</sup> Tonello, Matteo. *Proxy Voting Analytics (2016–2019) and 2020 Season Preview*, Based on shareholder meetings held at Russell 3000 and S&P 500 companies. RESEARCH REPORT R-1708-19.

<sup>15</sup> *Idem*.

<sup>16</sup> *Idem*.

<sup>17</sup> *Idem*.



# Shareholder dialogue

Shareholder dialogue is an integral part of DGAM's RI strategy. This approach has a twofold objective. First, it enables the RI team to enhance their knowledge of each company's business model and strategies. Second, it allows them to recommend ways to improve risk management practices and to identify opportunities unique to each organization.

DGAM has developed an innovative approach whereby the RI team and portfolio managers meet jointly with the senior management of Canadian corporations. While DGAM also engages in dialogue with the sustainable development teams to deepen discussions on specific ESG practices, having access to management enables DGAM to speak to the decision makers directly on issues that can impact the company's value.

This approach, which follows DGAM's [Responsible Investment Guidelines](#), also encompasses ESG integration based on sector-specific risk factors in accordance with the SASB guidelines and the list of DGAM's priority issues as outlined in Section 4. DGAM's RI team reviews its shareholder engagement priorities on an annual basis and reexamines its objectives as part of the review of the dialogue program.

Factors considered when identifying securities to include in the dialogue program include:

- The securities' geographic location
- The severity of the ESG challenges associated with the securities
- The weighting of the securities in DGAM's managed portfolios
- The status of the relationship with the company's leadership
- DGAM's stance in past key votes
- The performance and dynamism of the company's ESG factors
- Continuity in ongoing dialogues

The results of shareholder dialogue help inform our analysis of the company's ESG practices and our investment decisions. For example, a company that does not disclose its ESG practices but puts in place a strategy aimed at adopting ESG standards may still be considered for investment. Conversely, a company may be removed from an RI portfolio if shareholder dialogue proves inconclusive.

## Highlights from 2019<sup>18</sup>

**199**  
interactions

Meetings with  
**127**  
companies

### Most frequently discussed topics:

**27%**  
Disclosure  
of ESG factors

**16%**  
Diversity

**16%**  
Climate  
change and  
the energy  
transition

<sup>18</sup> All the data in this section are from DGAM, as at December 2019.

In 2019, DGAM held 199 interactions with 127 companies. Canadian companies made up the majority of the companies with which DGAM engaged in dialogue. For American companies, DGAM has partnered up with *Æquo*, a Quebec-based organization that offers shareholder engagement services.

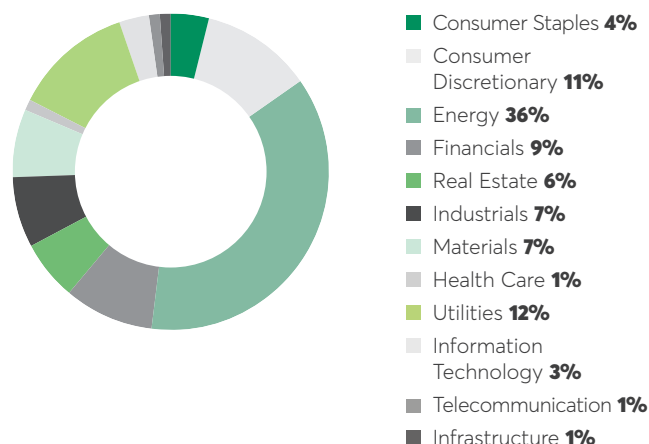
The ESG issues addressed are in line with key sector challenges and DGAM's priority issues. Discussions centred on ESG disclosures in the context of the [SASB](#) guidelines and the [Task Force on Climate-related Financial Disclosures](#) (TCFD) predominated this year, followed by conversations related to climate change, the energy transition and diversity.



In line with current efforts related to the energy transition, an emphasis was placed on companies from the energy and utilities sectors in order to identify industry leaders and urge companies to accelerate their transition or reduce their carbon footprint. DGAM also engaged in extensive dialogue with companies in the consumer discretionary sector, encouraging them to improve their ESG disclosure practices and address issues related to diversity, senior management compensation and sustainable procurement.

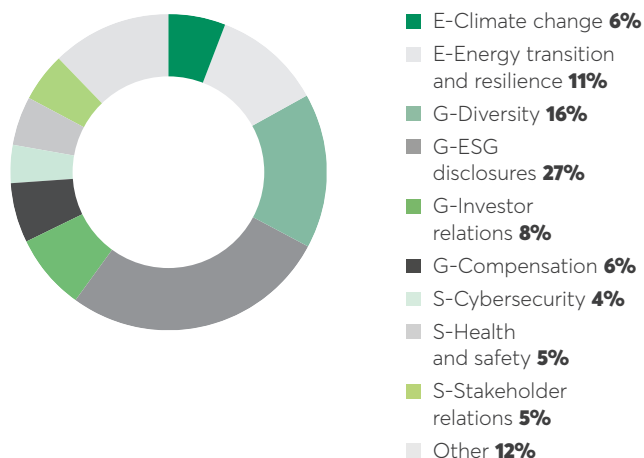
Finally, DGAM met with a number of financial services companies to discuss ESG disclosure, cybersecurity and diversity, and give a feedback on DGAM's exercise of proxy voting rights.

## 2019 DIALOGUES BY INDUSTRIAL SECTOR



Source: DGAM. Data as of December 2019.

## 2019 DIALOGUES BY ESG ISSUE



Source: DGAM. Data as of December 2019.



# DGAM's ESG priority issues

In drawing up its list of ESG priority issues, DGAM took into account the commitments made by Desjardins, the ESG risk exposure of DGAM's managed portfolios and the findings of sector materiality analyses published by RI stakeholders.

Once integrated into the ESG analyses, these priority issues influence DGAM's investment selection decisions and shape its shareholder engagement practices. DGAM's current priority issues are climate change, diversity, executive compensation, privacy and cybersecurity, responsible supply chains, human rights and stakeholder engagement.

## Climate change

The scale and speed of climate change will have major and irreversible consequences on people, the environment and the economy on a global level. Greenhouse gas emissions have been increasing as a result of human activity since the beginning of the Industrial Revolution. The [United Nations Framework Convention on Climate Change](#) (UNFCCC) recognizes the impact of human activity on global warming in its definition of climate change: *"A change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods."*<sup>19</sup>

The intensive use of fossil fuels such as oil, coal and natural gas, combined with deforestation, pollution from industry and agriculture and the use of landfills, have played a major role in the growth of greenhouse gas emissions. The Fifth Assessment Report by the [Intergovernmental Panel on Climate Change](#) (IPCC) declared that human activity has amplified greenhouse gas emissions and is the dominant cause of global warming.

The World Economic Forum's 2020 [Global Risks Report](#) named climate change one of the top five global risks facing our planet, based on probability and anticipated severity of impact. Failure to adapt to climate change also features among the risks deemed most likely to lead to negative repercussions.

Interest in the economic, social and financial impacts of climate change has grown since the [Paris Agreement](#) was signed in 2015. Ratified by nearly 200 countries, the Paris Agreement, whose objective is to keep "a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius,"<sup>20</sup> played an important role in raising awareness of these issues.

<sup>19</sup> United Nations, *United Nations Framework Convention on Climate Change*, 1992. <https://unfccc.int/resource/docs/convkp/conveng.pdf>

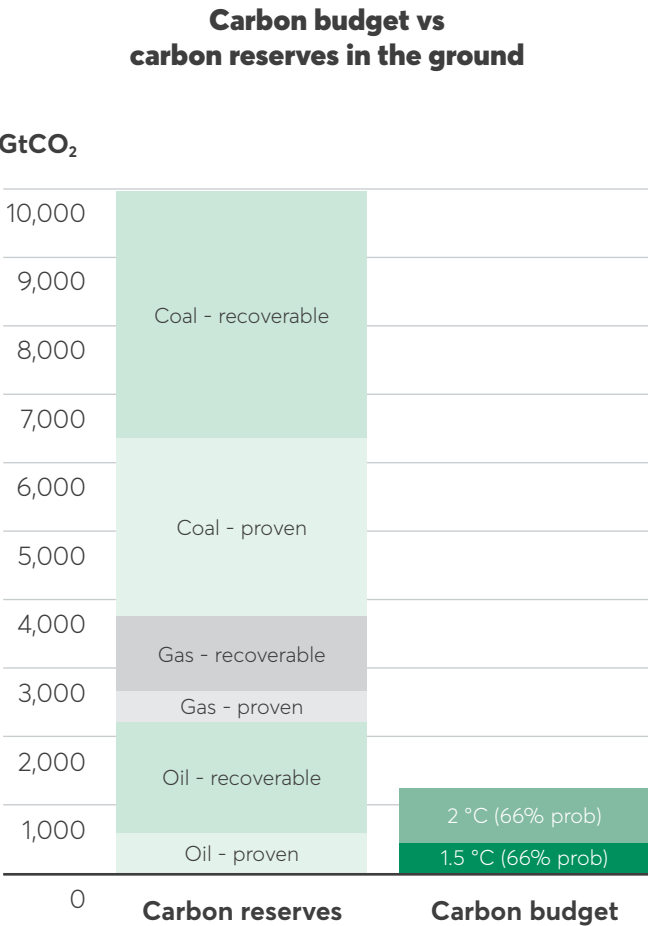
<sup>20</sup> UNFCCC, *What is the Paris Agreement?* 2015. <https://unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement>

FINANCIAL AND  
EXTRA-FINANCIAL RISKS

Climate change exposes companies and investors to two major risk categories: physical risks and transition risks.

- Physical risks are risks of damage and operational disruption caused by extreme weather and climate phenomena such as drought, floods and hurricanes.
- Transition risks are risks associated with the adoption of low-carbon business models in line with evolving technologies and regulations. These risks carry negative repercussions for companies operating in the most polluting industries.

STRANDED ASSETS



Source: CRO Forum, *The Heat is On – Insurability and Resilience in a Changing Climate*. January 2019. <https://www.thecroforum.org/wp-content/uploads/2019/01/CROF-ERI-2019-The-heat-is-on-Position-paper-1.pdf>

Researchers introduced the concept of stranded assets in 2013 to describe assets that could become obsolete or non-performing in light of the growing awareness around climate change risk. As a result of efforts to limit global warming to 2 degrees Celsius, a proportion of public companies' coal, oil and natural gas reserves could end up being classified 'unburnable'.<sup>21</sup> UK-based think tank **Carbon Tracker Initiative** (CTI) warns of the impending "carbon bubble": a massive loss in the value of fossil fuel investments due to the adoption of measures aimed at curbing climate change on a global scale. To limit temperature rises to 1.5 to 2 degrees Celsius, the planet can handle a "carbon budget"<sup>22</sup> of up to 1,300 GtCO<sub>2</sub> (billion tonnes of CO<sub>2</sub> equivalent), while the world's proven oil, natural gas and carbon reserves represent over 6,000 GtCO<sub>2</sub>. If measures are taken to keep some of these reserves underground, it is extremely important to understand what the impacts will be on the value of the companies that own them.

The carbon bubble is defined as the massive losses that could occur in fossil fuel investments due to the adoption of global climate change measures.

<sup>21</sup> Carbon Tracker Initiative, *\$674 billion annual spend on 'unburnable' fossil fuel assets signals failure to recognise huge financial risks*, December 4, 2013. <https://carbontracker.org/wasted-capital-and-stranded-assets-press-release/>

<sup>22</sup> CRO Forum, *The Heat is On – Insurability and Resilience in a Changing Climate*, January 2019. <https://www.thecroforum.org/wp-content/uploads/2019/01/CROF-ERI-2019-The-heat-is-on-Position-paper-1.pdf>

## A JUST ENERGY TRANSITION

To meet the challenge of climate change, we must initiate the transition to a low-carbon economy. This shift will have significant impacts on the economy and the labour market as many of today's jobs will be transformed or even made obsolete. Trade unions around the world have partnered up to demand that companies and governments rapidly implement just transition plans that focus on continuing education and reskilling the workforce.<sup>23 24</sup>

A gradual and orderly transition would enable the local workforce to retrain for jobs in the new low-carbon economy.

## MEETING THE DEMANDS OF REGULATORS AND INVESTORS

In 2015, Mark Carney, then Governor of the Bank of England and Chairman of the Financial Stability Board, delivered an impactful speech entitled "**Breaking the tragedy of the horizon**," in which he warned that the catastrophic impacts of climate change could be "felt beyond the traditional horizons" of today's economic and political decision makers.

Since Mr. Carney's speech, a number of new initiatives have emerged:

- The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD). In 2017, the TCFD issued its disclosure recommendations with an emphasis on transparency around climate issues. These recommendations have since been adopted as a global benchmark.
- In 2019, the European Commission established the EU Taxonomy, a classification system for sustainable economic activities in the context of the transition to a low-carbon economy. The Government of Canada has also set up an expert panel on sustainable finance to study implementing a similar framework.

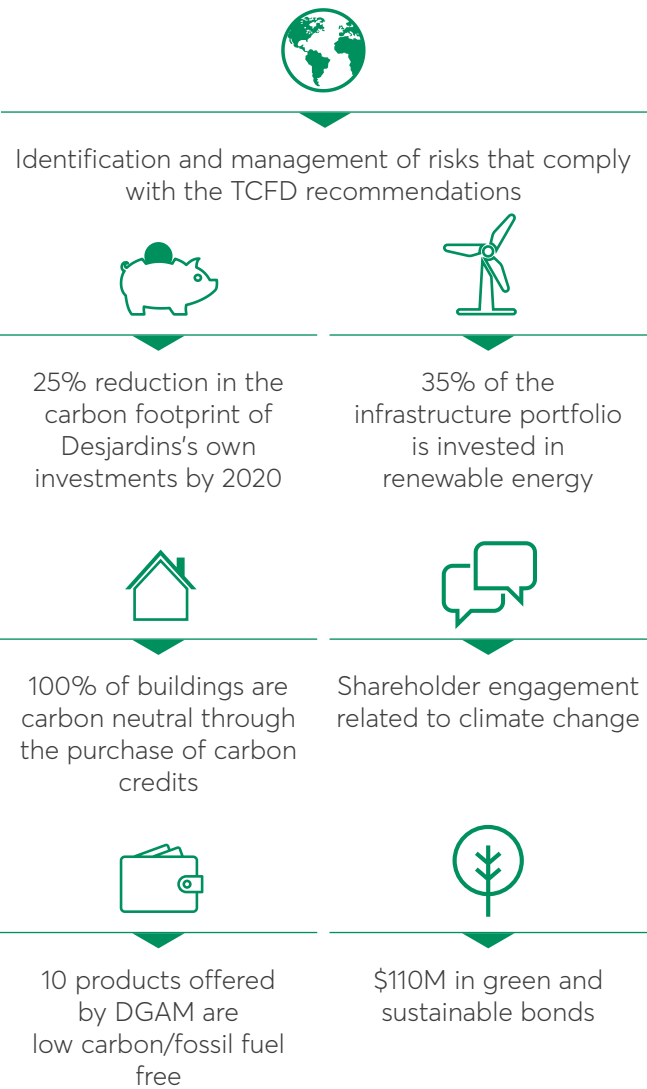
<sup>23</sup> Nancy Bédard et al., *Syndicats unis pour une transition juste*. September 3, 2019. <https://www.ledevoir.com/opinion/idees/561786/la-planete-s-invite-au-travail-pour-une-transition-juste>

<sup>24</sup> Fédération des travailleurs et travailleuses du Québec, *Il faut adopter un plan québécois de transition juste vers une économie verte et « sans pétrole »*. <https://ftq.qc.ca/adopter-un-plan-quebecois-de-transition-juste-vers-une-economie-verte-et-sans-petrole/>

## DGAM's climate change approach

Managing carbon risk fits into a wider climate change approach centred on sustainable development and responsible investment. While the financial sector is not in itself a major direct contributor to worldwide greenhouse gas emissions, its role in financing companies means that it indirectly influences growth initiatives across a wide range of industries.

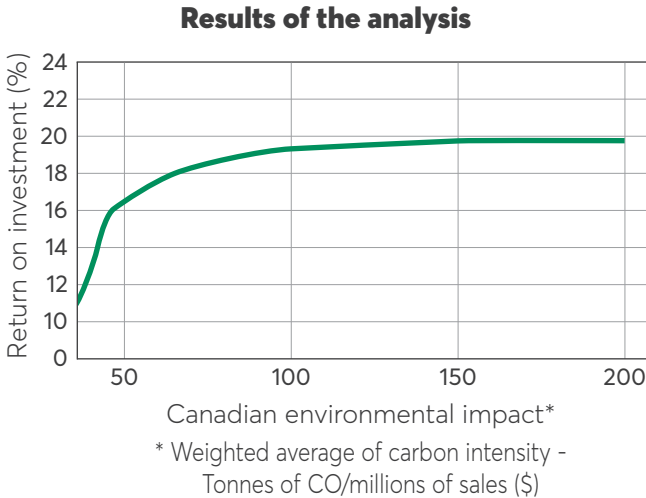
DGAM's climate change approach consists in seven components, which are illustrated in the table below. Three of these components are discussed in detail in this section. The remaining four are presented in other sections of this report.



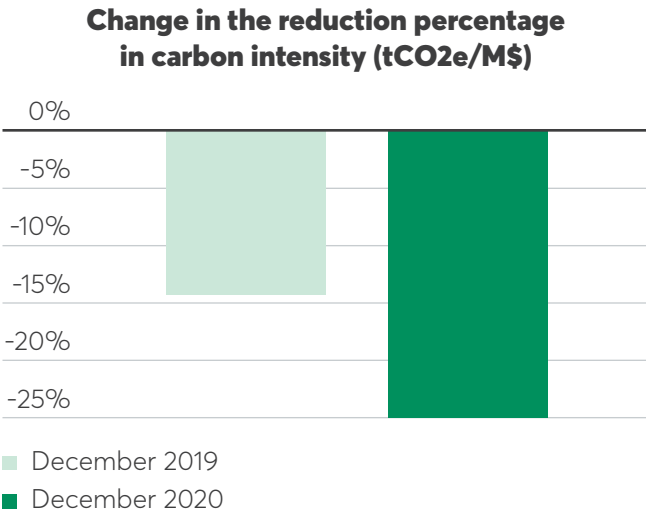
Source: DGAM, June 2020.

### 25% REDUCTION IN THE CARBON FOOTPRINT OF DESJARDINS'S OWN INVESTMENTS

With regard to its capital management strategy, Desjardins has positioned itself as a catalyst of the economic transition. Desjardins is drawing on DGAM's RI expertise to help it move forward on its action plan to tackle the carbon intensity of its own investments.



Source: DGAM, December 2016.



Source: DGAM, June 2020.

This work has shown that a portfolio's carbon intensity can be substantially reduced without harm to its risk/reward ratio. The graph above shows anticipated returns according to carbon intensity. It reveals that for similar risk/reward characteristics, a reduction in portfolios' carbon intensity is possible until a critical turning point is reached. In light of these findings, the committee of experts recommended that Desjardins implement tangible and prudent practices and commit to reducing the carbon footprint of its assets invested in publicly traded securities to a level that is 25% lower than the average of the companies that make up the stock and bond market indexes by the end of 2020. The graph above illustrates the recent evolution of the carbon intensity of Desjardins's own investments.

In 2016, a committee of experts from diverse business segments was formed to reflect on ways that Desjardins's capital allocation strategies could contribute to meeting Canada's greenhouse gas emissions targets. To support them with this task, Desjardins partnered up with [CIRANO](#), a research institution recognized for its objectivity and expertise in the area of sustainable development, where a group of experts is tasked with gathering and sharing knowledge on organizational analysis.

## IDENTIFICATION AND MANAGEMENT OF RISKS IN LINE WITH TCFD RECOMMENDATIONS

To maintain its position as a leader in sustainable finance, DGAM participates on behalf of Desjardins in numerous investor initiatives. The firm recently partnered up with 19 other institutional investors within the framework of the United Nations Environment Programme Finance Initiative (UNEP FI) to establish a working group charged with developing a scenario analysis methodology in line with TCFD recommendations. The group's first recommendations have already been published,<sup>25</sup> and efforts are ongoing to integrate this methodology into Desjardins Group's portfolio analysis practices.

In addition, since 2018 Desjardins has **made climate change disclosures** in accordance with TCFD recommendations. These disclosures include an overview of DGAM's exposure to climate risks.

**DGAM partnered with other institutional investors to form a working group whose goal was to develop a scenario analysis methodology in line with the TCFD's recommendations.**

## SHAREHOLDER ENGAGEMENT

As an asset manager, DGAM expects the companies it invests in to identify and manage their exposure to climate-related financial and extra-financial risks. In 2019, DGAM voted in favour of 11 shareholder proposals related to the management of greenhouse gas emissions and climate risk disclosures.<sup>26</sup> In addition, DGAM held 45 discussions with company leaders regarding various challenges related to climate change and the transition to a low-carbon economy.

### Shareholder engagement on the issue of climate change



**11**

Votes cast for shareholder proposals



**45**

Dialogue with companies

Source: DGAM, June 2020.

<sup>25</sup> UNEP Finance Initiative, *Changing Course: A comprehensive investor guide to scenario-based methods for climate risk assessment, in response to the TCFD*. May 2019. [https://www.unepfi.org/publications/investment-publications/changing-course-a-comprehensive-investor-guide-to-scenario-based-methods-for-climate-risk-assessment-in-response-to-the-tcfd/](https://www.unepfi.org/publications/investment-publications/changing-course-a-comprehensive-investor-guide-to-scenario-based-methods-for-climate-risk-assessment-in-response-to-the-tcf/)

<sup>26</sup> DGAM, June 2020.



## Dialogue with energy sector companies

The energy sector currently accounts for 20–25% of the nation's greenhouse gas emissions, and Canada's total annual emissions continue to rise.<sup>27</sup> Our strategy for dialogue with energy sector companies is to encourage them to take greater responsibility for their greenhouse gas emissions. Companies are at different stages in grappling with this issue, whether it's managing the impact of climate change on their operations or addressing their social responsibility with regard to climate change.

On the one hand, some medium- and large-sized companies have robust social responsibility programs in place, which demonstrates that they have already put a lot of thought into developing their climate change strategies. On the other hand, smaller businesses have been slower to take a public stand and disclose their climate change commitments.

When engaging in dialogue, DGAM applies different sets of benchmarks depending on each company's level of progress. For example, DGAM expects the companies with the most advanced climate change approaches to:

- Adopt and integrate a rigorous environmental and social risk strategy overseen by the board of directors and implemented under the direct supervision of senior management.
- Disclose their climate change approach in accordance with international best practices as laid down in the TCFD recommendations.
- Contribute to innovative research and development with the aim of significantly improving their environmental performance.

In conversations with several issuers, DGAM noted that a number of companies had made substantial progress with regard to their climate change disclosure practices.

<sup>27</sup> Environment and Climate Change Canada, *National Inventory Report 1990-2017: Greenhouse gas sources and sinks in Canada*. 2019. [http://publications.gc.ca/collections/collection\\_2019/eccc/En81-4-1-2017-eng.pdf](http://publications.gc.ca/collections/collection_2019/eccc/En81-4-1-2017-eng.pdf)



# Diversity

Diversity on boards of directors is seen as an important governance issue by all Canadian companies. However, membership on the nation's boards of directors remains predominantly male. In 2019, 27.6% of the members of T&P/TSX company boards were women.<sup>28</sup> While this number is still low, it represents a notable increase since 2015, when women represented just 18.3% of board members.<sup>29</sup>

According to the 2019 Canada Spencer Stuart Board Index, which is based on a representative sample of 100 of Canada's largest publicly traded companies with annual revenues exceeding CAN\$1 billion, 49% of new board members were women and half of all boards had adopted a diversity target.<sup>30</sup>

There are countries in the world in which women's representation on boards of directors is significantly higher than Canada's. For example, the share of women on boards is 42.8% in France and 39.1% in Norway. Setting clear diversity targets helped these countries to achieve these results.<sup>31</sup>

<sup>28</sup> Catalyst, *Women in Leadership at S&P/TSX Companies*, March 5, 2020. <https://www.catalyst.org/research/women-leadership-sp-tsx/>

<sup>29</sup> *Idem*.

<sup>30</sup> Spencer Stuart, *2019 Canada Spencer Stuart Board Index*. <https://www.spencerstuart.com/-/media/2020/canada-bi-2019/canada-bi-2019-final.pdf>

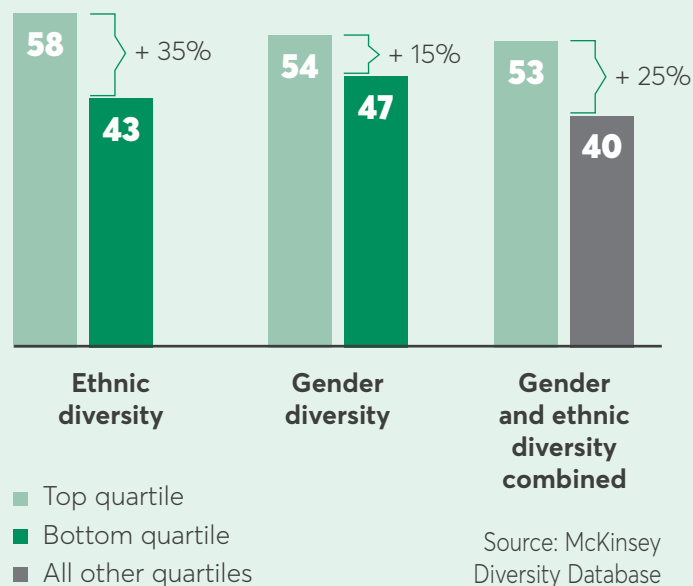
<sup>31</sup> ISS Analytics, *Women in the C-Suite: The Next Frontier in Gender Diversity*. July 27, 2020

## A PROVEN ADVANTAGE

A number of recent studies, including several published by McKinsey,<sup>32</sup> have demonstrated that companies with greater female representation on their boards of directors outperform their less gender-diverse competitors.

### The data suggests diversity correlates with better financial performance

Likelihood of financial performance above national industry media, by diversity quartile, %



The positive correlation<sup>33</sup> between board diversity and business performance has several explanations:

- Diverse groups make better decisions than homogeneous groups.<sup>34</sup>
- Gender-diverse companies have access to a wider talent pool.<sup>35</sup>
- Diversity in human resources reduces turnover and increases employee engagement.<sup>36</sup>

<sup>32</sup> McKinsey, *Why Diversity Matters*. January 2015. <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

<sup>33</sup> Research by McKinsey & Company, MSCI, BCG, Deloitte, CIBC and the Government of Canada.

<sup>34</sup> Hong et al., 2004.

<sup>35</sup> *Idem*.

<sup>36</sup> MSCI, *The Tipping Point: Women on Boards and Financial Performance*. 2016. <https://www.msci.com/www/research-paper/the-tipping-point-women-on/0538947986>



### Aiming for 30%

The 30% Club is a UK-based initiative founded in 2010 that seeks to increase gender balance on boards and in senior management for companies across the world. The organization argues that in order for companies to reap the benefits of diversity, women's representation on boards must reach a certain critical mass. According to ISS, S&P/TSX companies will need to nominate women to half of all board seats vacated from today forward if they are to attain the 30% target for women's representation on boards of directors by 2030.<sup>37</sup>

## DGAM's approach to diversity

In alignment with Desjardins's membership in the Canadian chapter of the 30% Club, DGAM has taken on the task of encouraging companies to increase the representation of women on their boards of directors as part of its shareholder engagement practices.

In 2019, DGAM held 44 discussions with company leaders on the topic of diversity, with a specific emphasis on diversity on boards of directors and in senior management.<sup>38</sup>

<sup>37</sup> ISS Analytics, 2030: *An Odyssey to Thirty-Percent Board Diversity*, Garcia et Papadopoulos, February 2018. <https://www.issgovernance.com/library/2030-odyssey-thirty-percent-board-diversity/>

<sup>38</sup> DGAM, June 2020.

The aim was to get a clear picture of what the companies' gender diversity objectives were and what they were doing to achieve them. The discussions focused on issues such as:

- Programs put in place to encourage diversity and better representation.
- The proportion of decision-making and operational roles filled by women in all areas of the company, and not just the roles traditionally associated with women.
- The existence of sponsorship or grant programs aimed at increasing the number of women studying in fields traditionally dominated by men, such as finance, engineering and trucking.
- Measures taken to counter conscious and unconscious bias that hold back the recruitment and advancement of women in decision-making positions.

In 2019, DGAM updated its *Policy on the Exercise of Proxy Voting Rights* to reflect Desjardins's commitments as a member of the 30% Club. The policy now stipulates that DGAM will vote against chairs of nominating committees or boards of directors if fewer than two women are appointed directors or if the company has no credible policy in place to address gender diversity.<sup>39</sup> As a result, in 2019 DGAM voted against the chairs of the nominating committees or boards of directors of 291 companies because they had fewer than two female directors and no women were included among their candidates.<sup>40</sup> In addition, DGAM voted in favour of four shareholder proposals dealing with board diversity.

Diversity is a central component of the responsible investment approach taken by DGAM, which is continuing its efforts to improve the state of diversity at companies, encourage best practices and support the best-performing organizations. In the future, DGAM plans to expand this approach to encompass cultural and generational diversity as well as diversity of expertise.

## Shareholder engagement on the issue of diversity



4

Votes cast for shareholder proposals



44

Dialogues with companies

Source: DGAM, June 2020.

<sup>39</sup> Desjardins Global Asset Management, *Policy on the Exercise of Proxy Voting Rights*, 2019.

<sup>40</sup> DGAM, June 2020.



# Executive compensation

Companies need to offer adequate compensation to their executives in order to attract, motivate and retain the best candidates. At the same time, the correlation between executive compensation and financial performance is weak at best. This discrepancy has become a source of frustration for many investors.

According to a study by MSCI, CEO pay does not reflect long-term stock performance. The study, which examined more than 400 US large-cap companies from 2005 to 2015, showed that companies with the highest-paid CEOs (total pay higher than the industry median) underperformed compared to the industry median.<sup>41</sup> Another study by researchers from Lancaster University looking at the UK's 350 largest listed companies revealed that executive pay had grown by 80% between 2004 and 2014 while return on investment during the same period amounted to just 1%. The researchers concluded that the link between executive pay and performance was "negligible."<sup>42</sup>

Excessive executive compensation has been criticized on several fronts:<sup>43</sup>

- It encourages executives to take excessive risks to maximize short-term gain.
- It promotes a short-sighted vision of performance. Measures like share buybacks, layoffs and severe cost-cutting can negatively influence a company in the medium and long term.
- It inflates the average compensation level, which is used in benchmarks that determine executive pay.
- It encourages and rewards behaviours and decisions that impact short-term returns over actions that are less readily measurable or quantifiable but influence the company's long-term performance.

<sup>41</sup> MSCI, *Are CEOs Paid for Performance?* <https://www.msci.com/www/research-paper/are-ceos-paid-for-performance-/0412607620>

<sup>42</sup> Rodionova, Zlata. *Link between high executive pay and performance 'negligible', study finds*. December 26, 2016. The Guardian. <https://www.independent.co.uk/news/business/news/high-executive-pay-performance-ceos-link-negligible-study-a7498441.html>

<sup>43</sup> IGOPP, *Executive compensation: Cutting the Gordian knot*, 2017. <https://igopp.org/en/pay-for-value/>

In Canada, the ratio between the median compensation of CEOs and the average salary of private sector workers rose from 62:1 in 1998 to a peak of 159:1 in 2013, falling back slightly to 146:1 in 2016.<sup>44</sup> Compensation for the 2018 tax year, which shareholders voted on during the 2019 voting period, was up 3% from the previous year.<sup>45</sup> As the following graph demonstrates, the number of S&P/TSX company CEOs receiving over \$4 million in compensation has grown in the past three years, with fewer CEOs earning less than \$4 million.<sup>46</sup>

In an effort to give more power to shareholders and encourage them to weigh in on the issue of executive compensation, legislators in several countries including the US, the UK and Australia have introduced mandatory say-on-pay policies that require companies to put their executive compensation plans to an advisory shareholder vote. While not mandatory in Canada, 80% of Canada's largest companies have adopted this practice voluntarily or as a result of pressure from investors.<sup>47</sup> Amendments to the *Canada Business Corporations Act* have been proposed that would require companies to hold a non-binding vote on executive compensation at every annual meeting of shareholders.

<sup>44</sup> *Idem*.

<sup>45</sup> 2019 Proxy Season Review, ISS Publications, August 29, 2019.

<sup>46</sup> 2018 Canada Proxy Season Review, ISS Publications, November 2, 2018

<sup>47</sup> Greey, Leslie. *The Canadian Say on "Say on Pay"*. February 6, 2017. Fasken – Timely Disclosure. <https://www.timelydisclosure.com/2017/02/06/the-canadian-say-on-say-on-pay/>

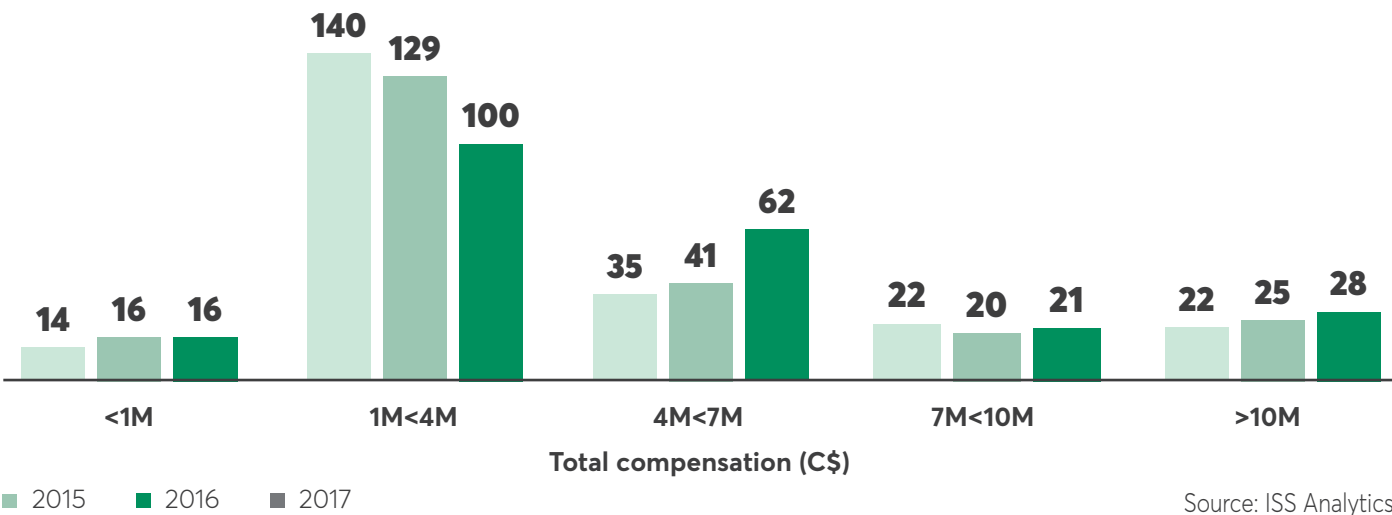


Despite the criticism levelled at executive compensation plans, shareholder support in advisory say-on-pay votes on CEO compensation averages above 90%.<sup>48</sup>

However, a growing number of shareholders and institutional investors are raising concerns about the criteria used to determine CEO compensation. As the graph below illustrates, the share of companies receiving less than 80% support in votes on CEO pay has increased in recent years.

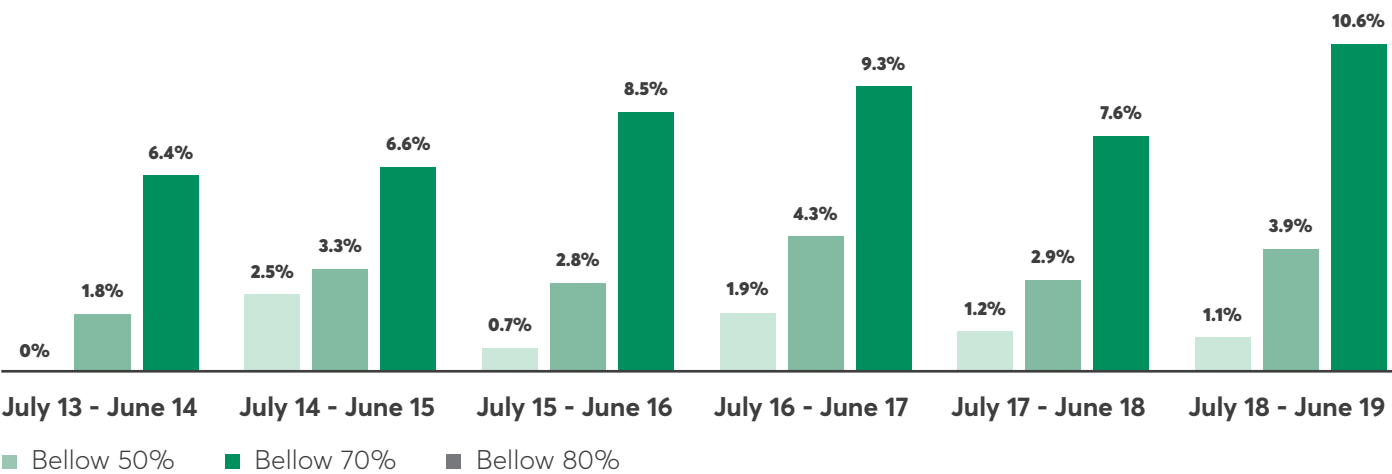
## CEO PAY QUANTUM STEADILY INCREASES IN PAST THREE YEARS

Number of TSX-Composite firms by compensation level and by fiscal year



## SAY-ON-PAY SUPPORT LEVEL DECREASED TO A RECORD LOW

percentage of support (of votes cast) in last six years



<sup>48</sup> 2019 Proxy Season Review, ISS Publications, August 29, 2019.

## DGAM's executive compensation approach

In 2019, the RI team adopted new tools to improve its executive compensation evaluation practices. The *Policy on the Exercise of Proxy Voting Rights* was updated to realign these practices with a series of indicators and criteria such as the CEO's pay versus executive compensation, the correlation between executive compensation and the company's (short and long-term) financial performance and the CEO's pay compared to industry peers. In 2019, these analyses were conducted on the Canadian companies with the highest publicly disclosed executive compensation.

Desjardins voted against half of all advisory proposals from management on the compensation of directors.<sup>49</sup> DGAM votes against proposals when it deems that they go against the best interest of shareholders or the company. The most common reasons for voting "No" are excessively high severance compensation arrangements, the inclusion of stock options in incentive pay plans and a percentage of total dilution of the shares reserved for the compensation of directors that exceeds 10%.

In addition, DGAM voted in favour of 42 shareholder proposals related to executive compensation.<sup>50</sup> These proposals most often dealt with ESG performance criteria linked to incentive pay and disclosure of the CEO-to-worker compensation ratio.

In 2019, DGAM raised the issue of executive compensation on 16 occasions during dialogues with companies.<sup>51</sup> This was notably the case with one Canadian financial institution that recognizes the value of strong and coherent shareholder engagement. Since 2017, the company's board of directors has taken measures to enhance dialogue with its shareholders and organize meetings with investors. Acting on the recommendations of Desjardins and other investors, the financial institution made several changes to its compensation structure to bring it in line with industry best practices.



### Shareholder engagement on the issue of executive compensation



**42**

Votes cast for shareholder proposals



**16**

Dialogues with companies

Source: DGAM, June 2020.

<sup>49</sup> DGAM, June 2020.

<sup>50</sup> *Idem.*

<sup>51</sup> *Idem.*

# Privacy and cybersecurity

As technological developments and innovation accelerate in all spheres of society, more and more companies are seeking to protect themselves against cybersecurity risks. Unfortunately, there are many blind spots that make it difficult to accurately assess the danger. According to the World Economic Forum, cyberattacks, fraud and theft of personal data are among the most serious risks facing companies in North America and around the world.<sup>52</sup>

In Canada, a report by cybersecurity solutions provider Carbon Black<sup>53</sup> reveals that in the last 12 months:

**83%**

of Canadian companies suffered a cyberattack.

**81%**

of surveyed companies say cyberattacks have become more complex and sophisticated.

**76%**

of surveyed companies say they have seen an increase in cyberattacks.

The average number of cyberattacks per surveyed company was

**3.42,**

with larger companies suffering more frequent attacks.

In 2019, 92% of boards of directors discussed challenges related to cybersecurity, but only 20% of them said they were confident in the measures taken to protect their companies against the risk of cyberattacks. At the same time, awareness of cybersecurity risk is growing: 10% of newly appointed directors in 2019 had expertise in IT and digital technology, compared to just 2% in 2015.<sup>54</sup>

## FINANCIAL AND EXTRA-FINANCIAL RISKS

Companies today face a wide range of threats that carry heavy costs and consequences and expose them to various financial and extra-financial risks, including reputation risk. A study by Ponemon Institute and Accenture estimated the total value at risk from cybercrime to be US\$5.2 trillion over the next five years.<sup>55</sup>

After the privacy breach incident of 2019, Desjardins demonstrated its determination to implement the best possible solutions for its members and clients. Today, they can count on the most robust fraud and identity theft protection offered in Canada's financial services industry. Desjardins also created the Desjardins Group Security Office, reflecting its commitment to implementing security and reporting best practices.

<sup>52</sup> World Economic Forum, *The Global Risks Report 2019*, January 2019. <http://reports.weforum.org/global-risks-2019>

<sup>53</sup> Carbon Black, *Canada Threat Report, Global Threat Report Series*, March 2019.

<sup>54</sup> Spencer Stuart, *2019 Canada Spencer Stuart Board Index*. <https://www.spencerstuart.com/-/media/2020/canada-bi-2019/canada-bi-2019-final.pdf>

<sup>55</sup> Accenture, *Ninth Annual Cost of Cybercrime Study*. March 2019. <https://www.accenture.com/us-en/insights/security/cost-cybercrime-study>

# DGAM's cybersecurity approach

Cyberattacks can seriously compromise the returns of the companies in which DGAM invests. To address this challenge, the RI team established the *Policy on the Exercise of Proxy Voting Rights* and set in motion a dialogue with companies aimed at raising their awareness of cybersecurity and personal data protection issues. The strategy is built on four pillars:

## GOVERNANCE:

The company has the will and capacity to incorporate cybersecurity into its corporate strategy and commits to high-quality disclosure.

- At least one director with relevant training and expertise
- Board frequently discusses cybersecurity issues



## CULTURE:

The company fosters a culture of awareness around cybersecurity to ensure that its procedures are effective.

- Dedicated expert team
- Discussions with other industry players
- Building awareness of cybersecurity risks among employees, clients and suppliers
- Training employees to detect cyberattacks
- Cybersecurity performance indicators



## PROCEDURES:

The company has clear procedures in place to deal with evolving cyberattack risks and ensures they are followed.

- Disclosure of incidents related to cyberattacks and personal data theft
- Adoption and disclosure of a clear policy on the risk management strategy
- Mechanisms to monitor the company's cybersecurity risk



## INSURANCE:

The company is capable of maintaining operations in the event of a cyberattack.

- Cyber liability insurance
- Incident management strategy that includes a business continuity plan in the event of a cyberattack



In 2019, DGAM voted in favour of one shareholder proposal asking a company to include performance criteria linked to the security and protection of personal data in its executives' variable compensation plans.<sup>56</sup> DGAM also reached out to 11 companies from diverse sectors including financial services, information technology and telecommunications to discuss measures put in place to manage data security risks and ensure improved reporting of these measures.<sup>57</sup> Based on these discussions, it became clear that all these companies are concerned about the issue and understand the importance of adopting measures to manage their cybersecurity risks. However, they are reluctant to publicly disclose their risk management procedures because they fear this information could fall into the hands of potential attackers.

## Shareholder engagement on the issue of cybersecurity



**1**

Votes cast for shareholder proposals



**11**

Dialogues with companies

Source: DGAM, June 2020.

<sup>56</sup> DGAM, June 2020.

<sup>57</sup> *Idem*.

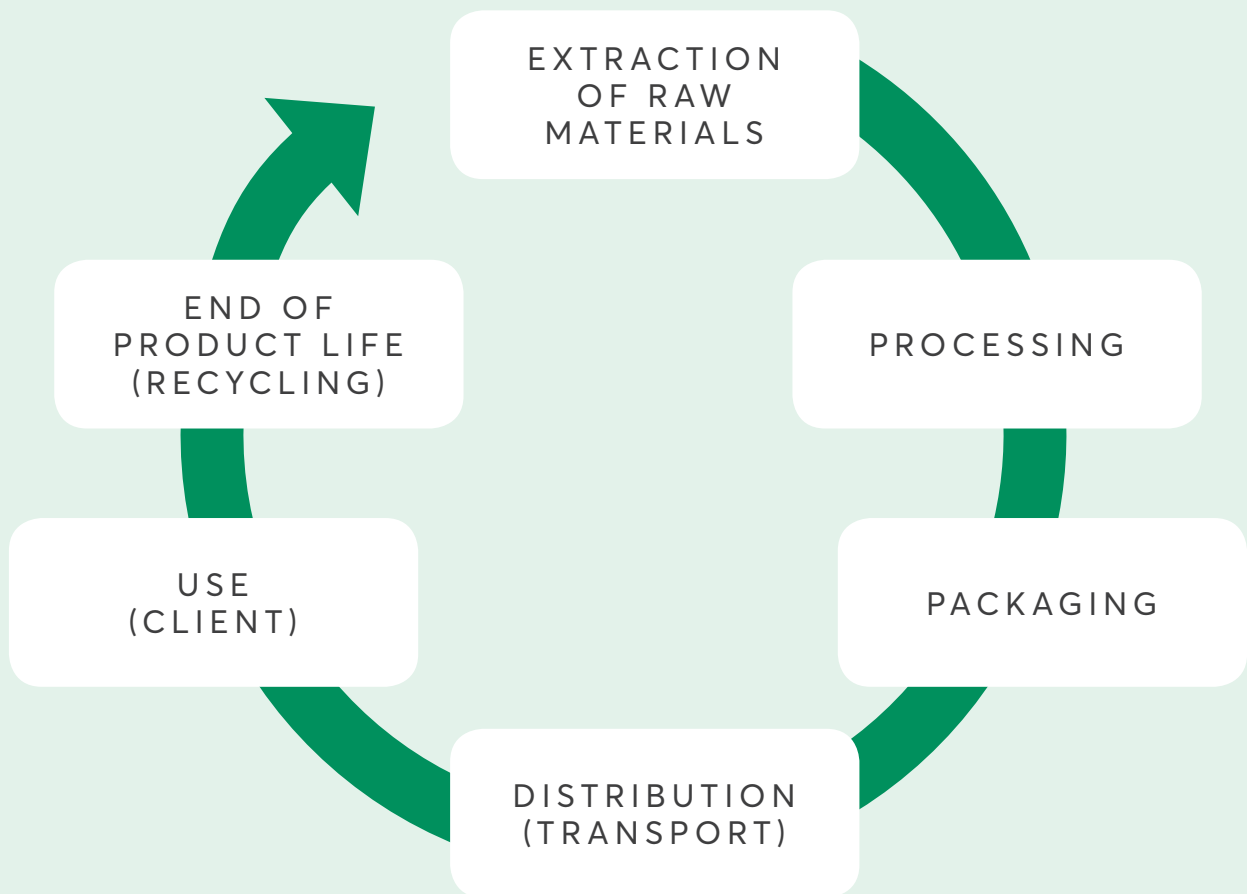


# Responsible supply chains

Supply chains, besides being significant sources of value creation and innovation, are major drivers of economic globalization, uniting diverse players across geographic, industrial and cultural boundaries. Supply chains depend on efficient transportation networks, communication systems and IT and energy infrastructure, and they involve a complex web of interdependent supplier, subcontractor, distributor and consumer networks.

Companies are exposed to social and environmental externalities through their extraction, procurement, production and distribution activities, through their choice of suppliers, workers, resources and raw materials, and during the beginning and end of their products' life cycles. These externalities involve risks that can have a detrimental impact on the companies' reputation, operations and financial performance.

In accordance with the *United Nations Guiding Principles on Business and Human Rights*, companies are responsible for exercising due diligence on human rights issues, including with respect to activities along their supply chains.





# The advantages of responsible supply chains

## LOWER EXTRA-FINANCIAL RISK

In an attempt to cut costs, companies in a variety of sectors have risked exposing themselves to reputation risk and loss of brand value by associating with suppliers that offer poor working conditions, pay extremely low wages or employ child labour. Meanwhile, some suppliers, in an effort to meet unrealistic production schedules and attract regular buyers, have turned to unauthorized subcontractors, generating risks that can often fly under a company's radar.

In 2013, Rana Plaza, a nine-story commercial building in Bangladesh, collapsed killing over 1,100 workers. The building contained factories that produced clothing for several Western brands. While these companies did not directly control the work environment at Rana Plaza, they were collectively responsible for the safety of the workers there. As a result of the accident, the companies were exposed to reputation risk and potential regulatory sanctions.

## A MAJOR GROWTH DRIVER

Consumer behaviour is constantly evolving and the increased public awareness around sustainability and social responsibility presents companies with opportunities for growth and innovation. For example, companies in the food industry can seize this opportunity to respond to growing consumer demand for healthier or organic products. Furthermore, suppliers that opt for responsible practices are better placed to meet the needs of companies that increasingly prioritize responsible supply chain management.



## DGAM's responsible supply chain approach

As an asset manager, DGAM expects the companies it invests in to identify and manage their exposure to supply chain-related financial and extra-financial risks. Integrating ESG criteria at every stage of the supply chain enables companies to maintain ethical commercial practices while contributing to the advancement of human rights and the protection of natural resources and biodiversity.

In 2019, DGAM voted in favour of ten shareholder proposals demanding better supply chain accountability and engaged 17 companies in dialogue on a range of supply chain-related issues.<sup>58</sup> This dialogue had the following key objectives:

- Evaluate the eligibility of companies that are part of the solution when it comes to responsible investment.
- Contribute to the sound management of companies' operational and reputation risk.
- Evaluate senior management's awareness of the issues.
- Encourage companies to disclose their risk mitigation measures.

DGAM's shareholder engagement partner [Æquo](#), in collaboration with the [Interfaith Center on Corporate Responsibility \(ICCR\)](#) and PRI signatories, engaged in dialogue with an American food retailer in an effort to persuade the company to adopt a policy that would encourage its suppliers to restrict their use of pesticides and opt for alternative solutions. Following these discussions, the company issued a declaration on pollinator protection in 2019 with a commitment to limit the use of certain types of pesticides including neonicotinoids.

<sup>58</sup> DGAM, June 2020.

## Shareholder engagement on the issue of responsible procurement



**10**

Votes cast for shareholder proposals



**17**

Dialogues with companies

Source: DGAM, June 2020.

**Integrating ESG criteria at every stage of the supply chain enables companies to maintain ethical commercial practices while contributing to the advancement of human rights and the protection of natural resources and biodiversity.**

# Human rights and stakeholder engagement

In 1948, the United Nations adopted the [Universal Declaration of Human Rights](#), a foundational text in the field of human rights that states that all people have equal fundamental rights that include the right to live without fear of torture, the right to a life free of slavery, the right to own property, the right to equality and dignity and the right to live free of any form of discrimination.

Companies are exposed to a range of human rights issues, such as the rights of the workers and communities involved in every step of their supply chains. Access to information and product traceability provide essential data for evaluating the conditions under which a company manufactures its products. Meanwhile, social licence is emerging as a key factor for success in the 21st century that will be needed not only to ensure a company's long-term financial growth, but also to meet its commitments to the socioeconomic well-being of communities. The *Quebec Charter of Human Rights and Freedoms* states that "every person has a right to live in a healthful environment in which biodiversity is preserved, to the extent and according to the standards provided by law."<sup>59</sup> This implies that any project that impacts a community's environment has potential human rights implications and therefore requires social licence.

These days, social licence is a major factor in all industries, as evidenced by the growing number of projects that have been delayed or suspended in recent years due to a lack of community support. Local communities across Canada today expect to be consulted on new development projects in advance and provided with transparent information.<sup>60</sup>

## ASSOCIATED RISKS

In November 2019, the World Economic Forum published the *Davos Manifesto 2020*, which declared that "the purpose of a company is to engage all its stakeholders in shared and sustained value creation."<sup>61</sup> Growing numbers of investors are realizing the importance of involving stakeholders in decision-making processes. Besides reputation risk, companies that fail to engage with stakeholders expose themselves to operational risk (delayed or cancelled projects), financial risk (loss of investments and penalties) and legal risk (lawsuits). According to a study by Harvard Kennedy School, the loss of a social licence to operate<sup>62</sup> could cost a major mining project US\$20 million in weekly losses.<sup>63</sup> In addition, a recent report by Ernst & Young included licence to operate among the top ten business risks facing mining sector companies.<sup>64</sup>

<sup>59</sup> *Quebec Charter of Human Rights and Freedoms*, June 1, 2020. <http://legisquebec.gouv.qc.ca/en/showdoc/cs/c-12>

<sup>60</sup> Fasken, *Social License: An Unavoidable Reality for any Project Investor or Proponent*, December 5, 2019. <https://www.fasken.com/en/knowledge/2019/12/acceptabilite-sociale-une-realite-incontournable-pour-tout-investisseur>

<sup>61</sup> Schwab, Klaus. WEF. *Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution*, December 2, 2019. <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/>

<sup>62</sup> Jim Cooney. *Corporate Social Responsibility – The Social Licence to Operate a Mine*. International Resource Journal, November 2012.

<sup>63</sup> *Cost of Company-Community Conflict in the Extractives*, Harvard Kennedy School, 2014

<sup>64</sup> Ernst & Young, *Top 10 business risks and opportunities – 2020*. September 24, 2019.

## DGAM's human rights and stakeholder engagement approach

Human rights and stakeholder engagement are priority issues for DGAM, which believes that in order for a company to maximize its value in the long term, its management must take the interests of all stakeholders into account.

DGAM incorporates respect for human rights and stakeholder engagement into its ESG analysis practices. To this end, it monitors companies to verify that they have put in place:

- A governance structure that guarantees respect for human rights.
- Due diligence policies, guidelines and procedures to protect the rights of employees working for the company and along its supply chain.
- A framework for consulting with stakeholders to ensure projects obtain a social licence to operate.

DGAM's *Policy on the Exercise of Proxy Voting Rights* endorses the stance taken by the United Nations, which has declared that businesses have the responsibility to ensure that their operations do not violate human rights, as stipulated in the UN's *Universal Declaration of Human Rights*, the conventions of the International Labour Organization and the Canadian Constitution. In 2019, DGAM voted in favour of 30 shareholder proposals related to human rights. One of these proposals concerned the disclosure of human rights risks, while another dealt with the disclosure of internal policies on respect for Aboriginal rights.<sup>65</sup>

DGAM initiated 28 dialogues with companies on the issue of human rights and relations with stakeholders and First Nations communities.<sup>66</sup> These discussions primarily involved companies from the metals and minerals (32%) and fossil fuel (36%) sectors.<sup>67</sup>



### Shareholder engagement on the issue of human rights



**24**

Votes cast for shareholder proposals



**28**

Dialogues with companies

Source: DGAM, June 2020.

<sup>65</sup> DGAM, June 2020.

<sup>66</sup> *Idem*.

<sup>67</sup> *Idem*.

# Examples of ESG integration in portfolios

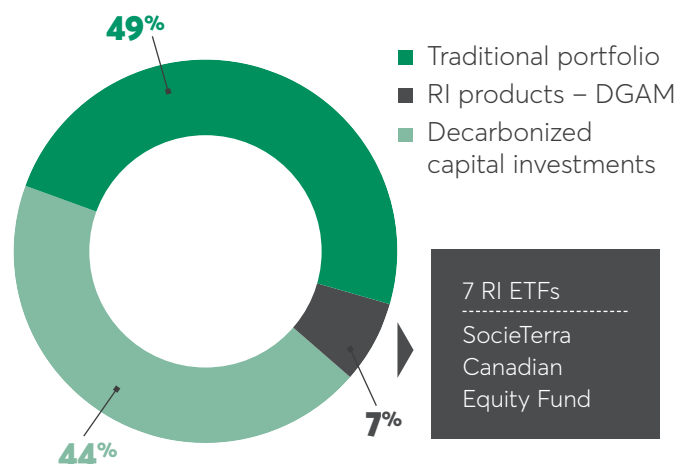
DGAM incorporates ESG criteria into its investment practices for equity, fixed income, real estate and infrastructure assets. This section gives concrete examples of the ways in which DGAM applies ESG criteria to its managed portfolios.

## Integration of ESG criteria to DGAM's equity and fixed income investments

56% of DGAM's equity investments and 57% of its fixed income investments are managed under responsible investment mandates.<sup>68</sup> DGAM leverages its expertise through a number of thematic strategies targeting the transition to a low-carbon economy and through ESG integration strategies that focus on shareholder engagement.

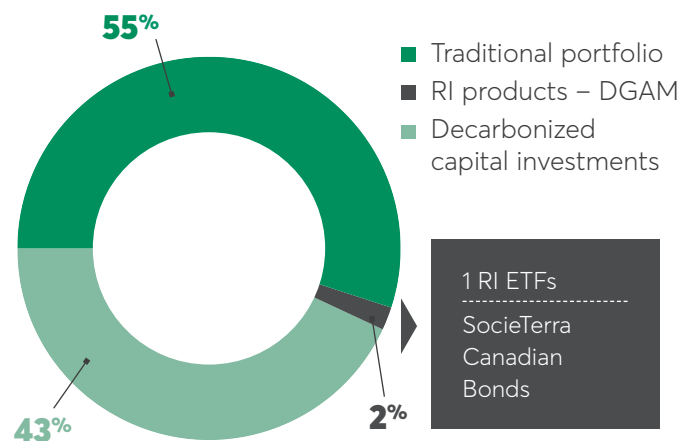
<sup>68</sup> DGAM, June 2020.

### EQUITY



Source: DGAM, Data as of December 2019.

### FIXED INCOME



Source: DGAM, Data as of December 2019.

## Low CO2 ETFs

To meet the expectations of Desjardins and its members that it would do its part to contribute to the goals of the Paris Agreement, DGAM developed Canada's first range of exchange-traded funds (ETFs) created in accordance with RI principles. These funds incorporate ESG risk management and are designed with the aim of fighting climate change.

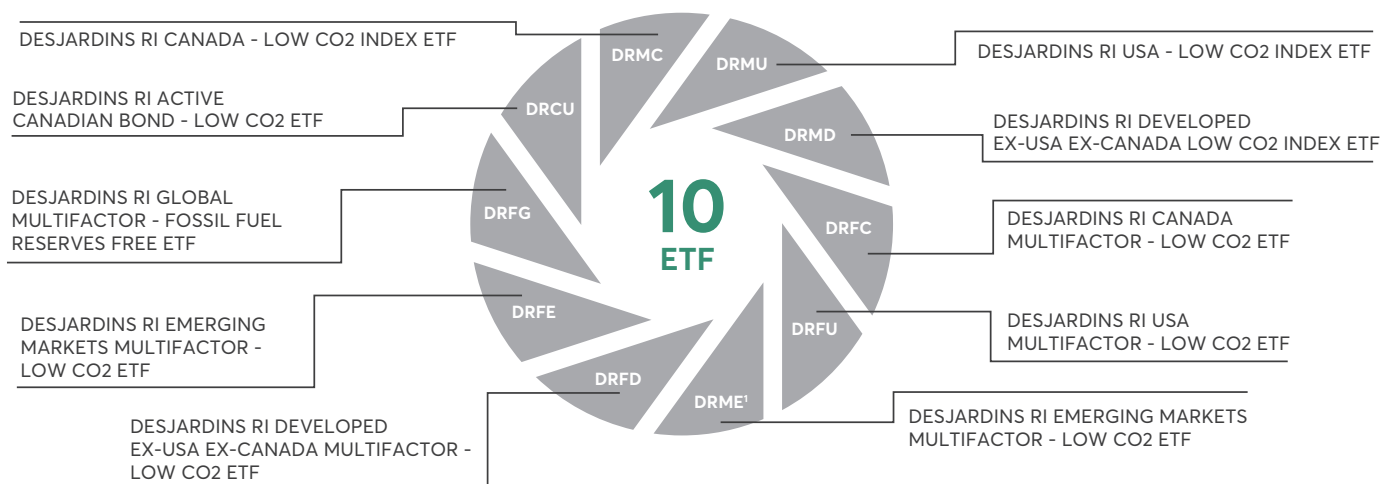
Nine of the ten RI ETFs\* target a reduction in the portfolio's carbon footprint relative to traditional benchmarks. More specifically, the range of RI ETFs includes:

- Four RI multifactor ETFs that explicitly target a 25% reduction in carbon intensity relative to their benchmark indexes. These four ETFs cover different regions of the world, namely Canada, the United States, developed markets outside the US and Canada, and emerging markets.
- Four market-cap-weighted low CO2 ETFs. These four ETFs cover the same regions as the aforementioned category.
- One fixed income active management RI ETF. This ETF explicitly targets a 25% reduction in carbon intensity relative to its sector 3.

It is important to point out that while the Desjardins RI ETF range explicitly focuses on environmental issues, all of the ETFs target companies that demonstrate outstanding ESG practices. These products are offered to all investors who want to manage their exposure to climate change risks and make a difference by choosing investment solutions that contribute to sustainable economic development. The Desjardins RI ETF range has been recognized as a leader in its field by Corporate Knights magazine.<sup>69</sup>

## Management of SocieTerra mutual funds

DGAM is also the portfolio manager for the Desjardins SocieTerra Canadian Bond Fund and the Desjardins SocieTerra Canadian Equity Fund. It works closely with fund manufacturer [Desjardins Investments](#) to offer effective and sustainable solutions on the Canadian market. These investment mandates capitalize on DGAM's extensive expertise in RI, as outlined in Section 3.



\* At the time of publication, another ETF was being added to the range, bringing their total to ten.

<sup>69</sup> <https://www.corporateknights.com/channels/responsible-investing/2019-eco-fund-ranking-15493464/>



## SUSTAINABLE BONDS

The concept of green bonds emerged in 2007 following the publication of the Fourth Assessment Report of the UN Intergovernmental Panel on Climate Change (IPCC),<sup>70</sup> which conclusively linked global warming to human activity. In 2008, the world's first green bond was issued by the World Bank.

The International Capital Market Association (ICMA)<sup>71</sup> defines green bonds as "any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects." The ICMA identifies four core components with which issuers of green bonds must align their practices. These principles are collectively referred to as the Green Bond Principles (GBP).

It should be noted that green bonds are not the only category of sustainable bonds on the market. For example, some issuers focus on the social impact of their operations, supporting the energy transition or meeting the UN's Sustainable Development Goals.

### Around the world

There is no denying the degree to which the sustainable bond market has grown. In 2019, new issues of sustainable bonds around the world totalled US\$255 billion.<sup>72</sup> The Climate Bond Initiative anticipates sustained growth for this segment and estimates that its value will reach US\$250 billion in 2020.<sup>73</sup> Europe, led by France, remains the most active and receptive market for this type of investment product.

<sup>70</sup> Martin Parry, Osvaldo Canziani, Jean Palutikof, Paul van der Linden and Clair Hanson, IPCC AR4 WG2, *Impacts, Adaptation, and Vulnerability*, Cambridge University Press, 2007. <https://www.ipcc.ch/site/assets/uploads/2018/02/ar4-wg2-spm-1.pdf>

<sup>71</sup> International Capital Market Association (ICMA). *Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds*, June 2018.

<sup>72</sup> Climate Bonds Initiative, *Record 2019 GB Issuance \$255bn!*, January 16, 2020. <https://www.climatebonds.net/2020/01/record-2019-gb-issuance-255bn-eu-largest-market-us-china-france-lead-top-20-national>

<sup>73</sup> Publication by RBC's Credit Research team: RBC Green Bond Conference – April 24, 2019.

### In Canada

The Canadian market is well positioned, with 18 sustainable bonds totalling CAN\$10 billion issued in 2019.<sup>74</sup> The province of Ontario is Canada's biggest issuer with CAN\$4.75 billion in sustainable bonds in circulation.<sup>75</sup>

### DGAM's approach

DGAM is a major player in Canada's sustainable bond market. In line with its investment management philosophy, it performs a thorough analysis of each new bond issue and allocates significantly more capital to the most promising sustainable development projects than the traditional bond indexes. DGAM refers to the Green Bond Principles (GBP) when carrying out its sustainable bond analyses.

The Desjardins SocieTerra Canadian Bond Fund represents the highest concentration of sustainable bonds within DGAM's assets under management, amounting to 19% of the total portfolio at December 31, 2019.<sup>76</sup>

The expertise of DGAM's RI team is widely recognized today, and its opinions are sought by various Canadian capital markets players (banking syndicates and issuers). In 2019, DGAM held a number of discussions with brokers in which it offered feedback on potential products linked to a just energy transition, a new type of instrument that would finance initiatives to reduce greenhouse gas emissions by polluting industries.

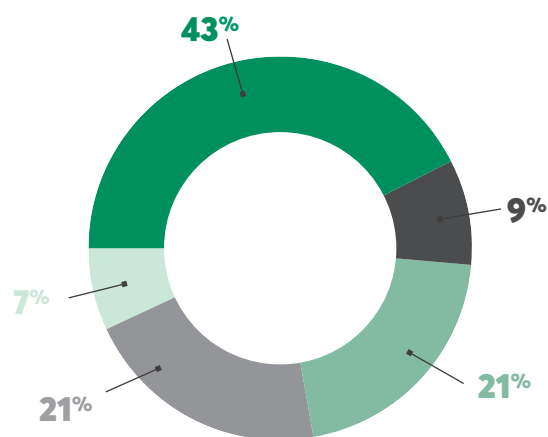
<sup>74</sup> Bloomberg, December 2019.

<sup>75</sup> *Idem*.

<sup>76</sup> DGAM, June 2020.

# Integration of ESG criteria to DGAM's real estate investments

DGAM manages real estate investment portfolios on behalf of its partners and clients. It invests in a broad range of funds and properties, including residences, commercial centres, office buildings, industrial buildings and land. In line with the practices announced by Desjardins in December 2017 to respond to the challenge of climate change, DGAM's real estate portfolio is carbon-neutral. In addition, 60% of DGAM's properties had environmental certification as of December 31, 2019.<sup>77</sup>



- Offices
- Industrial buildings
- Residential buildings
- Commercial buildings
- Land

Carbon neutral real estate portfolio

**60%**

of buildings are certified

**13%**

improvement in the GRESB score

Source : DGAM. Data as of December 2019.



## Case study – 150 Rue des Commandeurs

Among DGAM's properties, 150 Rue des Commandeurs in Lévis, Quebec won the coveted BOMA Quebec Building of the Year award for 2019-2020 in the Corporate Building category. This category honours the stars of the commercial real estate industry for excellence in building management, quality of operations, concern for resource conservation and environmental awareness. The Building of the Year award is the most prestigious in North America's commercial real estate industry.

A responsible and innovative building:

- Green roofs that reduce the urban heat island effect
- 33 geothermal heat pumps that generate energy for heating and cooling
- Optimized natural light to increase the comfort of employees
- High-performance lighting
- Increased access to alternative transportation
- 40% reduction in potable water consumption
- Waste management and composting

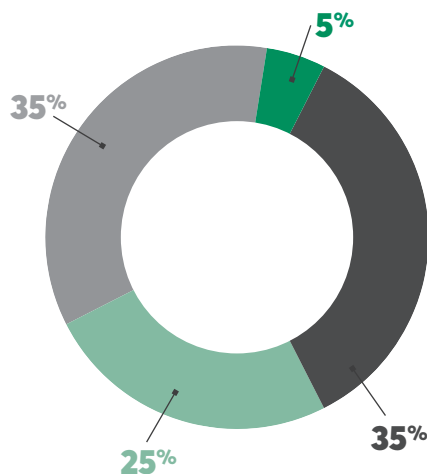
<sup>77</sup> DGAM, June 2020.

# Integration of ESG criteria to DGAM's infrastructure investments

DGAM works in collaboration with the Desjardins Group Pension Plan and external partners to manage high-quality infrastructure investment portfolios on behalf of its partners and clients. It invests in a range of sectors including traditional and renewable energies, utilities, transportation, communications and social infrastructure. In line with the practices announced by Desjardins in December 2017 to respond to the challenge of climate change, DGAM strives to prioritize investment opportunities in renewable energy. As a result, 35% of the infrastructure portfolio is invested in wind, solar and hydro energy projects. DGAM participates in infrastructure investments in eleven countries and six Canadian provinces.<sup>78</sup>



## BREAKDOWN OF RENEWABLE ENERGY INVESTMENTS



- Communications, social infrastructure and other
- Renewable energy
- Transportation
- Energy and utilities

### Renewable energy



**53%**



**25%**



**22%**

**11**

countries

**6**

Canadian provinces

**77%**

of partners are PRI signatories

Source : DGAM. Data as of December 2019

<sup>78</sup> DGAM, June 2020.



### Case study – Regional Power

In partnership with the Desjardins Group Pension Plan and Connor, Clark & Lunn Infrastructure, DGAM enabled some clients to participate in the acquisition of Regional Power, whose activities are focused primarily in renewable energy (with three run-of-river hydroelectric projects in Canada) and, to a lesser extent, the development and construction of new projects. It is a major acquisition that will generate stable and predictable cash flow for the very long term, play an important role in reducing greenhouse gas emissions and help maintain good relationships with First Nations. The White River Hydro Project, owned in equal parts by Regional Power and Pic Mobert First Nation, has already led to the creation of 17 full-time jobs and the hiring of three members of the local community. Thanks to this partnership with the First Nations community, the project was able to obtain a price increase for the electricity purchase agreement during the development phase. The three hydroelectric plants in operation contribute to a 170 kt annual reduction in greenhouse gas emissions and provide electricity to 40,000 households.<sup>79</sup>

## DGAM contributed to a number of projects in 2019:<sup>80</sup>

- The renewable energy portfolio managed by Axiom Infrastructure, a longstanding partner of Desjardins on a number of joint projects, produced 12,849 GWh of clean energy, preventing the emission of 3,484 kt of CO<sub>2</sub>.
- Ardian, another leading partner of Desjardins entities, launched a program to carry out annual reviews of its portfolio assets' CO<sub>2</sub> emissions and set up a dedicated RI team.
- Container electrification works conducted at the Montreal Gateway Terminals led to the replacement of diesel-powered cranes with ten new electric rubber-tired gantry cranes, which are now operational.

**In line with the practices announced by Desjardins in December 2017 to respond to the challenge of climate change, DGAM strives to prioritize investment opportunities in renewable energy.**

<sup>79</sup> The Desjardins Group Pension Plan. Data as of April 2020.

<sup>80</sup> The Desjardins Group Pension Plan. Data as of April 2020.

# Public involvement and collaboration

## DGAM's involvement in shaping public policy and promoting more responsible financial markets

Through its numerous public activities, including initiatives led by the *Canadian Investor Relations Institute* (CIRI), DGAM advocates for more responsible financial markets by encouraging companies to better manage their ESG risks and disclose their approaches in accordance with Sustainability Accounting Standards Board (SASB) guidelines. This call for greater responsibility is reiterated by the members of DGAM's RI team when they are involved in shareholder engagement activities.

As a signatory to the TCFD and the *Declaration of Institutional Investors on Climate-Related Financial Risks*, Desjardins encourages companies to improve their climate change risk disclosures.

DGAM works closely with the Desjardins business lines responsible for interactions with various government bodies. In 2019, DGAM directly participated in two consultation processes:

- The Canadian Securities Administrators (CSA) contacted DGAM to gather the perspectives of its RI team and get feedback on what DGAM would like to see in a made-in-Canada green taxonomy.
- With Desjardins having a representative in the Technical Expert Group on Sustainable Finance, DGAM contributed to the drafting of the Final Report of the Expert Panel on Sustainable Finance, an initiative set up by the Government of Canada.

## DGAM's commitment to education and innovation

Inspiring and influencing is an important part of DGAM's responsible investment approach, and educating companies, partners, clients and communities about RI is among its priorities. In 2019, members of DGAM's RI team participated in over 15 presentations and public events related to responsible investment, including four academic events led by Canadian universities.

In 2019, DGAM contributed its expertise to a number of initiatives related to education and innovation:

- For the fourth consecutive year, DGAM supported research and innovation through its participation on the steering committee of the Desjardins Chair in Responsible Finance at Université de Sherbrooke. As part of the initiative, DGAM trained several interns on the topic of responsible investment.
- During the annual conference of the Responsible Investment Association (RIA), DGAM participated in a panel on climate scenario analysis.
- DGAM assisted students from the Desautels Faculty of Management at McGill University with their analyses of ESG integration in portfolio management.

DGAM's RI team also organized in-house training activities for the firm's employees, including training on calculating the carbon footprint of portfolios. In addition, a workshop entitled ESG 101 was offered to employees of various Desjardins business segments.



# Collaboration with other organizations

Whether in DGAM's name or as a representative of Desjardins, the firm collaborates with a number of organizations involved in the promotion of ESG best practices.

## On behalf of Desjardins

### RESPONSIBLE INVESTMENT ASSOCIATION (RIA)

The [Responsible Investment Association \(RIA\)](#) is an organization that represents Canada's responsible investment industry.

Desjardins is a partner of the RIA and regularly participates in its initiatives and events. As an institutional investor, DGAM works in close collaboration with other responsible investors in Canada.

### CANADIAN COALITION FOR GOOD GOVERNANCE (CCGG)

The [CCGG](#) represents the interests of institutional investors and promotes good governance practices among Canadian public companies. It also voices support for improving regulations in order to align the interests of companies' boards and management committees more closely with the interests of their shareholders.

In 2019, DGAM played an active role on the CCGG's Environmental and Social Committee, which encourages Canadian corporations to integrate the assessment of environmental and social factors into their governance structures.

### CDP

[CDP](#), formerly known as the Carbon Disclosure Project, runs a global environmental disclosure process that enables companies, cities, countries and regions to measure and manage their environmental impacts.

Desjardins is a CDP signatory, and DGAM strives to promote improved disclosure of environmental impacts as part of its shareholder engagement approach.

### CIRANO

[CIRANO](#) is a research centre that brings together researchers from several Canadian universities with the mission of acquiring and sharing knowledge on organizational analysis.

Desjardins is a partner of CIRANO, and DGAM has maintained close relations with the centre for several years. DGAM's discussions with CIRANO focus on low CO2 strategies, decarbonization and other topics related to portfolio management generally and responsible investment in particular.

### 30% CLUB

The [30% Club](#) started as a campaign in the United Kingdom in 2010. The movement is now active in 13 other countries and regions, including Canada. Its mission is to persuade chairs and CEOs to strive for a better gender balance at board level and in senior management.

In line with Desjardins's membership in the Canadian chapter of the 30% Club, DGAM strives to promote gender diversity on boards of directors.

### FINANCE MONTRÉAL

[Finance Montréal](#), whose mission is to develop and promote the financial services industries of Montreal and Quebec, created a working group on responsible investment in 2016.

Desjardins is a signatory of the *Declaration of Institutional Investors on Climate-Related Financial Risks*, a Finance Montréal initiative that calls on companies to improve their disclosure practices to better manage the impacts of climate change.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The TCFD was created by the Financial Stability Board, an organization responsible for setting international standards in the area of financial stability. Its goal is to foster conditions to promote the voluntary and consistent disclosure of climate-related financial risks, which companies can then use when communicating with their investors and other stakeholders.

Desjardins supports the TCFD's work, which has been recognized internationally as the benchmark in climate change-related disclosures.

## UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE (UNEP FI)

UNEP FI is a partnership between the United Nations Environment Programme and the global financial sector whose mission is to promote sustainable finance.

Desjardins is a UNEP FI member, and DGAM was invited to join a group of investors tasked with establishing guidelines for the development of climate-related disclosure standards aimed at investors within the TCFD framework.

## Desjardins Global Asset Management

### ÆQUO

Æquo offers its partners shareholder engagement services with the aim of helping companies improve their environmental, social and governance practices.

DGAM works with Æquo to help it expand the reach of its responsible investment activities, particularly among American companies.

## DESJARDINS CHAIR IN RESPONSIBLE FINANCE – UNIVERSITÉ DE SHERBROOKE

The Desjardins Chair in Responsible Finance aims to contribute to the development of responsible finance and offers a research program that addresses three key areas of inquiry: responsible portfolio management, systemic risk and social responsibility in the financial sector, and extra-financial and reputation risks.

As part of this partnership, one of DGAM's directors sits on the Chair's steering committee and several members of the RI team serve on different boards and committees related to responsible investment. In addition, DGAM hires interns in order to train them in the field of RI.

## PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The PRI is the world's leading proponent of responsible investment. It advocates for an improved understanding of the impact of ESG factors on investments and supports the international signatories with efforts to integrate these factors into their investment decisions.

DGAM has been an active PRI signatory since 2017. One of its representatives serves on the network's advisory committee. In addition, three other Desjardins entities are also PRI signatories.

## SCIENTIFIC BETA

Established in 2013 by EDHEC-Risk Institute, [Scientific Beta](#) is a leading academic institution in the area of fundamental and applied research for the investment sector. The Scientific Beta team's goal is for the entire investment industry to adopt and implement the most recent smart beta models. It has also launched a research chair on factor and ESG strategies.

In 2018, DGAM teamed up with this longstanding partner to launch Canada's first range of RI ETFs, which currently includes nine funds. More solutions are planned in the short term.

## OFFICE OF THE SECRETARY GENERAL AND GOVERNANCE AND SUSTAINABLE DEVELOPMENT DIVISION, DESJARDINS

This division is responsible for overseeing Desjardins's governance, organizational ethics, sustainable development and responsible finance programs. It steers Desjardins's contributions toward the transition to a sustainable and responsible economy and the integration of ESG criteria in the company's governance structure and business model.

DGAM and this team collaborate regularly to share their expertise on ESG issues. The team also provides DGAM with access to Desjardins's experts in areas such as cybersecurity and taxation.

## SUSTAINABILITY ACCOUNTING OVERSIGHT BOARD (SASB)

The [Sustainability Accounting Oversight Board \(SASB\)](#) is a non-profit organization that sets industry-wide accounting and disclosure standards for publicly listed US corporations regarding the impact of environmental, social and governance (ESG) factors.

In 2019, DGAM became an Organizational Member of the Sustainability Accounting Standards Board (SASB) Alliance. Under this partnership, a number of DGAM employees, including many portfolio managers, will train to obtain the Fundamentals of Sustainability Accounting (FSA) credential.



# Dialogues conducted in 2019<sup>81</sup>

Issuer	Ticker symbol	Discussed topics
407 International Inc.		<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Agnico Eagle Mines Limited	AEM	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Workplace safety</li> </ul>
Air Canada	AC	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Employee relations</li> <li>• Corporate ethics</li> </ul>
Algonquin Power & Utilities Corp.	AQN	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> </ul>
Allied Properties Real Estate Investment Trust	AP.UN	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Workplace safety</li> </ul>
Altus Group Limited	AIF	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> </ul>
American Electric Power	AEP	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Diversity</li> <li>• Board structure</li> </ul>
ARC Resources Ltd.	ARX	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Workplace safety</li> <li>• Energy transition</li> </ul>
ATCO Ltd.	ACO.X	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
BASF	BAS.F	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Baytex Energy Corp.	BTE	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> <li>• Compensation</li> </ul>
BB&T Bank	TFC	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> </ul>

<sup>81</sup> DGAM, April 2020.

Issuer	Ticker symbol	Discussed topics
Biogen Inc.	BIIB	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Controversies</li> <li>• Diversity</li> <li>• Employee relations</li> <li>• Product accessibility</li> </ul>
BlackBerry Limited	BB	<ul style="list-style-type: none"> <li>• Investor relations</li> <li>• Cybersecurity and protection of personal data</li> </ul>
Bonduelle	BON	<ul style="list-style-type: none"> <li>• Waste management</li> <li>• Responsible supply chains</li> </ul>
Boralex Inc.	BLX	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Stakeholder relations</li> <li>• Workplace safety</li> </ul>
Brookfield Asset Management Inc.	BAM.A	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Integration and disclosure of ESG risk</li> <li>• Cybersecurity and protection of personal data</li> </ul>
Brookfield Renewable Partners LP	BEP.UN	<ul style="list-style-type: none"> <li>• Controversies</li> <li>• Integration and disclosure of ESG risk</li> <li>• Workplace safety</li> <li>• Stakeholder relations</li> </ul>
CAE Inc.	CAE	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Cameco Corporation	CCO	<ul style="list-style-type: none"> <li>• Controversies</li> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Stakeholder relations</li> <li>• Investor relations</li> </ul>
Canadian National Railway	CNR	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Workplace safety</li> </ul>
Canadian Natural Resources Limited	CNQ	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>
Canadian Pacific Railway	CP	<ul style="list-style-type: none"> <li>• Compensation</li> </ul>
Canadian Tire Corporation Limited	CTC.A	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> </ul>
Canadian Western Bank	CWB	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
Canopy Growth	WEED	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Product quality and safety</li> </ul>
Capital Power Corporation	CPX	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>



Issuer	Ticker symbol	Discussed topics
Cardinal Health	CAH	<ul style="list-style-type: none"> <li>• Fraud and corruption</li> <li>• Management of the opioid crisis</li> <li>• Integration and disclosure of ESG risk</li> <li>• Employee relations</li> </ul>
Cenovus Energy Inc.	CVE	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> <li>• Energy transition</li> <li>• Compensation</li> <li>• Climate change</li> </ul>
CGI Inc.	GIB.A	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Cybersecurity and protection of personal data</li> </ul>
Champion Iron Ltd.	CIA	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
Choice Properties Real Estate Investment Trust	CHP.UN	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> </ul>
Citizens Financial Group Inc.	CFG	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> </ul>
Cogeco Inc.	CGO	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Investor relations</li> <li>• Compensation</li> <li>• Integration and disclosure of ESG risk</li> <li>• Cybersecurity and protection of personal data</li> </ul>
Compagnie Générale des Etablissements Michelin SCA	ML	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Cybersecurity and protection of personal data</li> </ul>
Consolidated Edison Inc.	ED	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Climate change</li> </ul>
Continuum	CNU	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
Costco Wholesale Corporation	COST	<ul style="list-style-type: none"> <li>• Responsible supply chains</li> <li>• Diversity</li> <li>• Board structure</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Crescent Point Energy Corp.	CPG	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Managing water use</li> <li>• Diversity</li> <li>• Investor relations</li> <li>• Stakeholder relations</li> </ul>
CVS Caremark Corporation	CVS	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Employee relations</li> <li>• Diversity</li> <li>• Waste management</li> </ul>

Issuer	Ticker symbol	Discussed topics
Dollarama Inc.	DOL	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Diversity</li> <li>• Employee relations</li> <li>• Responsible supply chains</li> </ul>
Dollar General Corporation	DG	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> <li>• Employee relations</li> <li>• Controversies</li> </ul>
Dollar Tree	DLTR	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Board structure</li> <li>• Compensation</li> <li>• Potential exclusion</li> </ul>
Dream Industrial Real Estate Investment Trust	DIR.UN	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
DTE Energy	DTE	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> <li>• Climate change</li> <li>• Energy transition</li> </ul>
Duke Energy Corp.	DUK	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Compensation</li> <li>• Climate change</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Emera Incorporated	EMA	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Empire Company Limited	EMP.A	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> </ul>
Enbridge Inc.	ENB	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Diversity</li> <li>• Stakeholder relations</li> </ul>
Enerflex Ltd.	EFX	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Énergir		<ul style="list-style-type: none"> <li>• Responsible supply chains</li> <li>• Energy transition</li> </ul>
Enerplus Corporation	ERF	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> <li>• Diversity</li> <li>• Stakeholder relations</li> </ul>
ENMAX Corp.		<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Diversity</li> <li>• Workplace safety</li> </ul>
Entergy Corporation	ETR	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>
Estée Lauder Companies	EL	<ul style="list-style-type: none"> <li>• Waste management</li> <li>• Product quality and safety</li> <li>• Integration and disclosure of ESG risk</li> </ul>

Issuer	Ticker symbol	Discussed topics
Fastenal	FAST	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Employee relations</li> </ul>
First Quantum Minerals Ltd.	FM	<ul style="list-style-type: none"> <li>• Diversity</li> </ul>
Fortis Inc.	FTS	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Controversies</li> <li>• Integration and disclosure of ESG risk</li> </ul>
George Weston Limited	WN	<ul style="list-style-type: none"> <li>• Board structure</li> <li>• Controversies</li> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Gibson Energy Inc.	GEI	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Diversity</li> <li>• Investor relations</li> </ul>
Gildan Activewear Inc.	GIL	<ul style="list-style-type: none"> <li>• Responsible supply chains</li> </ul>
Great-West Lifeco Inc.	GWO	<ul style="list-style-type: none"> <li>• Board structure</li> </ul>
Harvest Health & Recreation Inc.	HARV	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Potential exclusion</li> </ul>
HEXO Corp.	HEXO	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Integration and disclosure of ESG risk</li> <li>• Potential exclusion</li> </ul>
Husky Energy Inc.	HSE	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Investor relations</li> <li>• Workplace safety</li> <li>• Climate change</li> <li>• Diversity</li> </ul>
Hydro One Limited	H	<ul style="list-style-type: none"> <li>• Workplace safety</li> </ul>
iA Financial Group	IAG	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Cybersecurity and protection of personal data</li> </ul>
IAMGOLD Corporation	IMG	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Climate change</li> </ul>
IGM Financial Inc.	IGM	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Investor relations</li> <li>• Compensation</li> </ul>
Imperial Oil Limited	IMO	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Diversity</li> <li>• Stakeholder relations</li> <li>• Investor relations</li> </ul>
Innervex Renewable Energy Inc.	INE	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Stakeholder relations</li> </ul>


Issuer	Ticker symbol	Discussed topics
Intact Financial Corporation	IFC	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> </ul>
Inter Pipeline Ltd.	IPL	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Climate change</li> <li>• Investor relations</li> </ul>
Keyera Corp.	KEY	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Diversity</li> <li>• Workplace safety</li> </ul>
Kinross Gold Corporation	K	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Stakeholder relations</li> </ul>
Laurentian Bank of Canada	LB	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Investor relations</li> </ul>
Liberty Defense Holdings, Ltd.	V.SCAN	<ul style="list-style-type: none"> <li>• Cybersecurity and protection of personal data</li> <li>• Board structure</li> </ul>
Lightspeed POS Inc.	LSPD	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
Linamar Corporation	LNR	<ul style="list-style-type: none"> <li>• Board structure</li> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> </ul>
Loblaw Companies Limited	L	<ul style="list-style-type: none"> <li>• Compensation</li> <li>• Responsible supply chains</li> <li>• Integration and disclosure of ESG risk</li> </ul>
M&T Bank	MTB	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Integration and disclosure of ESG risk</li> <li>• Employee relations</li> <li>• Board structure</li> </ul>
Maple Leaf Foods Inc.	MFI	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> </ul>
Martinrea International Inc.	MRE	<ul style="list-style-type: none"> <li>• Diversity</li> </ul>
McKesson Corporation	MCK	<ul style="list-style-type: none"> <li>• Compensation</li> <li>• Management of the opioid crisis</li> <li>• Development and integration of an ESG strategy</li> </ul>
MEG Energy Corp.	MEG	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Climate change</li> <li>• Managing water use</li> <li>• Energy transition</li> </ul>
National Bank of Canada	NA	<ul style="list-style-type: none"> <li>• Board structure</li> <li>• Cybersecurity and protection of personal data</li> </ul>

Issuer	Ticker symbol	Discussed topics
Neptune Wellness Solutions, Inc.	NEPT	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Workplace safety</li> <li>• Board structure</li> </ul>
NFI Group Inc.	NFI	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> </ul>
Norbord Inc.	OSB	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>
Northview Apartment Real Estate Investment Trust	NVU.UN	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Climate change</li> <li>• Board structure</li> </ul>
Nutrien Ltd.	NTR	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> </ul>
Onex Corporation	ONEX	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Investor relations</li> </ul>
Osisko Gold Royalties Ltd	OR	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Ovintiv Inc.	OVV	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Water use management</li> <li>• Lobbying and political contributions</li> </ul>
Parex Resources Inc.	PXT	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Workplace safety</li> <li>• Stakeholder relations</li> <li>• Climate change</li> <li>• Energy transition</li> </ul>
Parkland Fuel Corporation	PKI	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> </ul>
Pfizer	PFE	<ul style="list-style-type: none"> <li>• Lobbying and political contributions</li> <li>• Integration and disclosure of ESG risk</li> <li>• Diversity</li> <li>• Product accessibility</li> </ul>
Pinnacle Renewable Energy Inc.	PL	<ul style="list-style-type: none"> <li>• Climate change</li> </ul>
PrairieSky Royalty Ltd.	PSK	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> </ul>
Premium Brands Holdings Corporation	PBH	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> <li>• Investor relations</li> </ul>
Public Service Enterprise Group Inc.	PEG	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>
Quebecor Inc.	QBR.B	<ul style="list-style-type: none"> <li>• Board structure</li> <li>• Controversies</li> </ul>



Issuer	Ticker symbol	Discussed topics
Restaurant Brands International Inc.	QSR	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> <li>• Diversity</li> <li>• Employee relations</li> </ul>
RioCan Real Estate Investment Trust	REI.UN	<ul style="list-style-type: none"> <li>• Responsible supply chains</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Rogers Communications Inc.	RCI.B	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Cybersecurity and protection of personal data</li> <li>• Responsible supply chains</li> </ul>
Seven Generations Energy Ltd.	VII	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Diversity</li> <li>• Compensation</li> <li>• Stakeholder relations</li> </ul>
Sherwin-Williams	SHW	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Employee relations</li> <li>• Diversity</li> </ul>
Shopify Inc.	SHOP	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Cybersecurity and protection of personal data</li> </ul>
SNC-Lavalin Group Inc.	SNC	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Potential exclusion</li> <li>• Energy transition</li> </ul>
Southern Company	SO	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>
Stingray Group, Inc.	RAY.A	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> </ul>
Suncor Energy Inc.	SU	<ul style="list-style-type: none"> <li>• Energy transition</li> </ul>
Sun Life Financial	SLF	<ul style="list-style-type: none"> <li>• Cybersecurity and protection of personal data</li> <li>• Climate change</li> </ul>
TC Energy Corporation	TRP	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Controversies</li> <li>• Stakeholder relations</li> </ul>
Teck Resources Limited	TECK.B	<ul style="list-style-type: none"> <li>• Controversies</li> <li>• Lobbying and political contributions</li> </ul>
The Kroger Co.	KR	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Responsible supply chains</li> <li>• Environmental impact</li> </ul>
TJX Companies	TJX	<ul style="list-style-type: none"> <li>• Responsible supply chains</li> <li>• Diversity</li> <li>• Board structure</li> </ul>
Transcontinental Inc.	TCL.A	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Diversity</li> </ul>
Travelers	TRV	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> </ul>

Issuer	Ticker symbol	Discussed topics
Under Armour Inc.	UAA	<ul style="list-style-type: none"> <li>• Responsible supply chains</li> <li>• Human rights</li> </ul>
Valero Energy Corporation	VLO	<ul style="list-style-type: none"> <li>• Integration and disclosure of ESG risk</li> <li>• Energy transition</li> </ul>
Vermilion Energy Inc.	VET	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Compensation</li> <li>• Workplace safety</li> </ul>
Walgreens Boots Alliance, Inc.	WBA	<ul style="list-style-type: none"> <li>• Management of the opioid crisis</li> <li>• Waste management</li> <li>• Taxation</li> <li>• Integration and disclosure of ESG risk</li> <li>• Potential exclusion</li> <li>• Diversity</li> </ul>
Waste Connections, Inc.	WCN	<ul style="list-style-type: none"> <li>• Employee relations</li> <li>• Board structure</li> <li>• Diversity</li> </ul>
Waste Management, Inc.	WM	<ul style="list-style-type: none"> <li>• Energy transition</li> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Workplace safety</li> </ul>
Whitecap Resources Inc.	WCP	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Integration and disclosure of ESG risk</li> <li>• Workplace safety</li> </ul>

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