

SHAREHOLDER ENGAGEMENT 2016

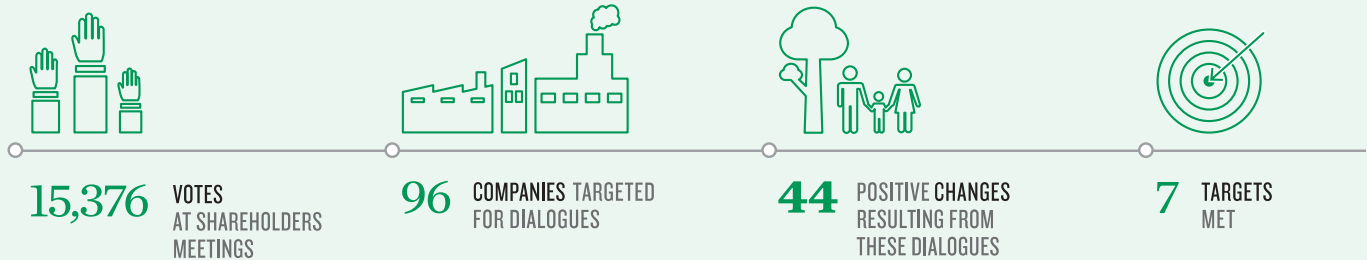
DESJARDINS FUNDS



OUR RESULTS AT A GLANCE

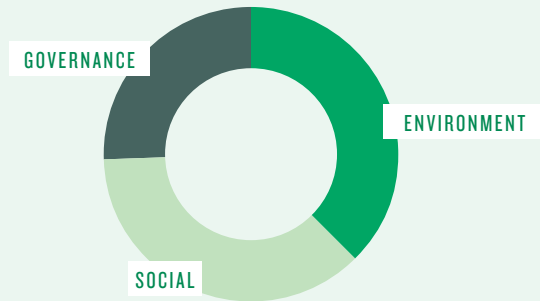
(EXECUTIVE SUMMARY)

SHAREHOLDER ENGAGEMENT 2016*

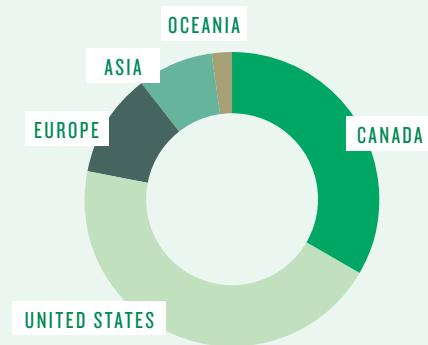


*Data correspond to the period from January 1st to December 31st, 2016, except for the voting rights who have been exercised from July 1st, 2015 to June 30th, 2016.

DISTRIBUTION OF INTERVENTIONS BY ISSUE TYPE.



GEOGRAPHIC DISTRIBUTION OF DIALOGUES





MESSAGE FROM THE CHIEF OPERATING OFFICER

Every year we strive to offer you a range of investment products that meet your needs and your highest expectations. Last year was no exception.

In 2016, we once again expanded our line of responsible investment products by adding three new funds: the Desjardins SocieTerra Environmental Bond Fund, the Desjardins SocieTerra Cleantech Fund and the Desjardins SocieTerra American Equity Fund. Two of these new funds are Canadian firsts, which I am proud to say reflects Desjardins Group's leadership in the area of responsible investment. The addition of these funds to the SocieTerra Portfolios has increased the portfolios' diversification along geographic and sector lines and enhanced their responsible investment strategies.

While our portfolio managers take a variety of approaches, there is one thing that never changes: their commitment to promoting the responsible exercise of their activities by adhering to the United Nations Principles of Responsible Investment. These principles promote a vision of investment for the long term geared to sustainable development. As you will see in the report, our portfolio managers engaged in dialogue with nearly 100 different companies over the past year on a variety of subjects related to each company's specific situation.

I'd like to close by taking this opportunity to thank you for the confidence you have shown us. You encourage us every day to do our very best to find distinctive and competitive solutions that will serve you well.

Éric Landry
Chief Operating Officer
Desjardins Investments Inc.
Desjardins Group

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OUR VISION OF SHAREHOLDER ENGAGEMENT



Desjardins Funds upholds Desjardins Group's commitments and values, which advocate economic development that is respectful of people and the environment, where "money is at the service of human development". The SocieTerra family of Funds and Portfolios gives us an opportunity to play a leadership role in the field of responsible investing in Canada thanks to our rigorous, credible and transparent approach. In keeping with our Responsible Investment Policy¹ and our commitment to the Principles of Responsible Investment, Desjardins Funds seeks to promote business practices and corporate governance that are more respectful of communities and the environment.

SHAREHOLDER ENGAGEMENT refers to the various ways shareholders can communicate their views to the companies they invest in and influence them by exercising their shareholder rights and privileges, such as:

- **exercising their shareholder voting rights**
- **engaging in shareholder dialogue with companies to improve business practices**
- **submitting shareholder proposals to a vote at company meetings**
- **working with governments and regulatory agencies**

DESJARDINS FUNDS² IS A SIGNATORY AND ADVOCATE OF THE UNITED NATIONS PRINCIPLES OF RESPONSIBLE INVESTMENT.

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. (...) Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles."

EXERCISING VOTING RIGHTS

By exercising its voting rights, Desjardins Funds is able to address the topics raised at shareholders' meetings. This is a matter of particular importance to us, because we recognize that we have a duty to respond, appropriately and in keeping with the values of Desjardins Group, to all proposals submitted at our portfolios' shareholder meetings.

USEFUL LINKS

Desjardins Funds has a specific [Policy on the Exercise of Proxy Voting Rights](#) that applies to all investment funds and portfolios. In compliance with our regulatory obligations, we [disclose](#) all of the voting rights we exercised during the year. [The Legal and Financial Publications](#) section of desjardinsfunds.com contains a list of Desjardins Funds with voting shares.

Here are some key data and statistics on the voting rights exercised during the period from July 1, 2015 to June 30, 2016:³

- **We reviewed 1,314 joint stock company meetings and 15,376 proposals submitted to a shareholders' vote**
- **55% of the proposals concerned the election of directors of the board**
- **3% of the proposals were submitted by shareholders (rather than company management)**
- **We voted in favour of proposals submitted by management in 61% of cases and supported 55% of the proposals submitted by shareholders**

HIGHLIGHTS 2016

- With respect to director nominations, we voted against or abstained⁴ in 42% of cases. We opposed one nomination primarily over concerns about the candidate's lack of independence, given that less than two-thirds of the other board members were independent. Having too many external responsibilities (if a director serves on more than 4 boards, or 2 boards if the director also chairs a board) is another common reason for not supporting a nominee.
- Desjardins voted against the chair of the nominating committee or the board of directors of 39 companies due to a lack of female representation on the board. We will vote against the chair of the nominating committee⁵ when the nominations do not include any female candidates, as this would result in a lack of diversity on the boards of directors.
- Our percentage of "No" votes in response to advisory proposals on the compensation of directors (say on pay) was 55%. We will oppose any elements of compensation when, in our judgment, they are not aligned with the interests of the shareholders or the company. The most common reasons for voting "No" are excessively high severance compensation arrangements, stock options in the incentive pay plan and a percentage of total dilution of the shares reserved for the compensation of directors that exceeds 10%.
- Desjardins Funds voted in favour of 77% of shareholder proposals directly related to the issue of climate change.

NORTH AMERICAN TRENDS 2016

- In Canada, 2016 was marked by a substantial rise in the number of advisory votes cast on executive compensation at shareholders' meetings.⁶ Today, 159 Canadian companies have adopted this practice—an 18% increase over 2015.
- However, support for proposals relative to the advisory vote on compensation is down on average from 2015. The percentage of companies receiving less than 90% approval rose from 17.6% to 22%. One company received less than 50% support (Crescent Point Energy Corp.).

PROXY ACCESS

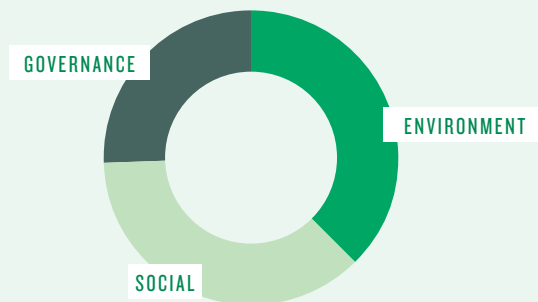
Proxy access refers to the adoption of a clause that allows shareholders to nominate one or more candidates to the board of directors of a joint stock company. In the United States, the internal by-laws and regulations of nearly half of the companies that make up the S&P 500 now have a proxy access clause. It usually stipulates that in order to nominate candidates, shareholders must hold at least 3% of the company's outstanding shares for a minimum of three years. Groups of shareholders or individual shareholders who meet the criteria can then nominate up to 20% of the members of the board of directors.

- Between January 1 and July 15, 2016, 36 shareholder proposals were voted on in 20 companies in Canada, touching on 17 different subjects. This year, the financial sector once again received the largest number of proposals, with 8 financial companies receiving 19 shareholder proposals (on 11 different topics).
- In the United States, a growing number of companies are adding the practice of proxy access to their by-laws and regulations. We are therefore likely to see an increasing number of small- and medium-sized companies adopt this practice in the future. In 2016, the number of S&P MidCap 400 companies that had a proxy access clause rose from 2 to 25, while the number of S&P SmallCap 600 companies with this clause rose from 1 to 9.
- In the United States, there appears to be a growing awareness of environmental and social issues among shareholders. This is reflected in the record number of shareholder proposals receiving more than 50% of the votes. In July, there were nine proposals versus one proposal at the same time in 2015. The average approval rate has also risen, from 20.3% in 2015 to 21.3% in 2016. Among these proposals, 56 touched upon an issue related to climate change.

SHAREHOLDER DIALOGUE

Shareholder dialogue involves communicating with the companies in our portfolios to influence their social responsibility practices. Every year, Desjardins Funds, along with the portfolio managers of their SocieTerra product line, assesses the environmental, social and governance (ESG) risks that our investment products are exposed to. After analyzing these risks, we put in place a dialogue program aimed at improving the companies' business practices based on their exposure to ESG risks. Depending on their industry, business model and where they operate, different types of risks are analyzed and discussed with the companies.

DISTRIBUTION OF INTERVENTIONS BY ISSUE TYPE.



96 COMPANIES WERE DIRECTLY CONTACTED ON BEHALF OF THE MEMBERS AND CLIENTS OF DESJARDINS FUNDS.

LIST OF ISSUES COVERED BY DESJARDINS FUNDS

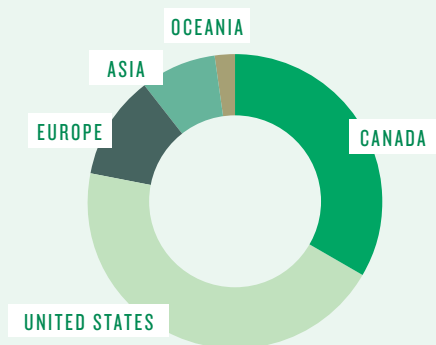
ENVIRONMENT
<ul style="list-style-type: none"> • Climate change and transparency • Water-related risk management • Environment-oriented management of activities • Stranded carbon assets • Transport of dangerous goods
SOCIAL
<ul style="list-style-type: none"> • Human rights • Access to food • Cyber security • Access to medicines and healthcare • Responsible procurement • Privacy • Food waste • Management of impacts on communities • Workforce diversity • Clinical trials and transparency • Labour standards
GOVERNANCE
<ul style="list-style-type: none"> • Integration and disclosure of ESG risks • Governance practices and shareholder rights • Diversity of the board and senior management • Executive compensation • Environmental bond best practices • Corruption • Aggressive taxation strategy

For Desjardins SocieTerra funds and portfolios, the asset manager and sub-managers are responsible for holding integrated investment management dialogues on behalf of Desjardins Fund members and clients. They are:

- **Desjardins Global Asset Management**
- **NEI Investments**
- **Impax Asset Management**
- **Mirova**
- **ClearBridge Investments**

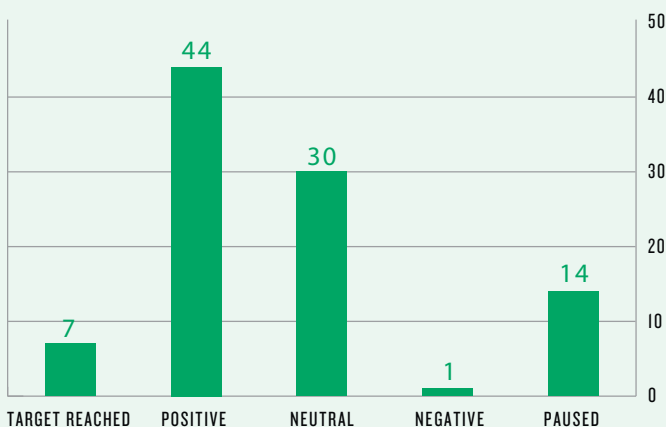
For the NEI Ethical funds that are part of the SocieTerra portfolios, NEI Investments is responsible for its own shareholder engagement activities. Overall, Desjardins Funds engaged in dialogue with nearly one hundred companies around the globe on a wide range of topics during the year.

GEOGRAPHIC DISTRIBUTION OF DIALOGUES



Not only were a large number of dialogues conducted, but even better, more than half of those conducted on behalf of the Desjardins Funds had at least a positive outcome.

SHAREHOLDER DIALOGUE RESULTS



A positive score indicates the target company was receptive, while a neutral one reflects a less receptive attitude. A negative score means the company simply refused to change its practices or automatically refused any dialogue with the shareholder. A “Target reached” result means the company responded appropriately to a very specific request from a portfolio manager.

The paused dialogues in 2016 are not necessarily indicative of a negative outcome, as such dialogues are often paused due to changes in the composition of Funds.

All of the companies that engaged in shareholder dialogue are listed in Appendix 1.

SHAREHOLDER PROPOSALS

Among the shareholder’s rights and privileges, a shareholder proposal can be a way to make a company and all of its shareholders aware of a specific ESG concern. It consists in formulating a non-binding recommendation, meaning that it does not require management to take any direct action that would interfere with their ability to govern the affairs of the company, and submitting it to all of the shareholders. Even if these proposals most often take the form of a recommendation requiring that the company disclose more information to shareholders, once the recommendation has been submitted, it must be included in the company’s circular and conveyed to all shareholders.

Investors usually resort to this option when dialogue fails to compel the company to take a position on an issue at a company meeting. Once submitted, a shareholder proposal can sometimes be used to negotiate with a company on the implementation of a new measure even before the meeting is held.

This year, Desjardins Funds portfolio managers submitted only one shareholder proposal in the form of a friendly proposal. As a result, our partner, NEI Investments, managed to convince Suncor’s management to make public and endorse their shareholder proposal that an accountability mechanism be included in Suncor’s strategy regarding a future low-carbon economy. For more information about this proposal, see the sidebar [*Suncor supports a groundbreaking initiative in North America’s energy sector*](#)

PUBLIC POLICIES

Throughout 2016, Desjardins Funds participated in representation activities to exert a positive influence on the legislative and regulatory authorities concerning responsible investment and the sustainability of our economic system.

- We engaged in dialogue with the PRI public policy research and influence committee, which published the following:
 - Fiduciary duty in the 21st century
 - Fiduciary duty in the 21st century: Canada Roadmap
- At the committee's request, we contacted the Climate Change Advisory Committee of the Minister for Sustainable Development, the Environment and the Fight against Climate Change of Quebec to present the savings products and investment strategies that support our fight against climate change.
- At the request of Canada's Minister of Families, Children and Social Development, we gave a presentation to a member of his cabinet, the honorable Jean-Yves Duclos, on responsible investment, social innovation and the ways that certain implementation strategies could foster social innovation.



DESJARDINS GROUP'S COMMITMENT TO DECARBONIZATION

Desjardins Group, Canada's leading cooperative group, is proud to be among the private sector organizations committed to making the shift to a low-carbon emissions economy. By joining the Carbon Pricing Leadership Coalition (CPLC), Desjardins has reaffirmed its willingness to adopt concrete measures to fight climate change and promote the transition to a green economy.

"Desjardins has committed to reducing our greenhouse gas (GHG) emissions to 20% below 2008 levels by 2020. We offer our members and clients a complete range of financial and insurance products that enable them to reduce their carbon footprint. And we have begun work to gradually improve the carbon footprint of our investment portfolio as well. Discussions and cooperation with other members of the CPLC will help us achieve our national goals, which will spur innovation and lead to prosperity for people, businesses and communities," said Guy Cormier, President and CEO of Desjardins Group.

The expertise developed by Desjardins Group will soon enable Desjardins Funds to gain a better understanding of our portfolios' carbon footprints and the impact that has on our performance for the benefit of our members and clients.

SOME TOPICS UNDER CONSIDERATION



CLIMATE CHANGE

Not surprisingly, the issue of climate change remains one of the key areas that our portfolio managers are taking action on.

The National Oceanic and Atmospheric Administration in the U.S. recently announced that 2016 was the hottest year since 1880.⁷ The impacts of climate change also made the top of the list in the *Global Risks Report 2017*.⁸

The recent publication of the final report of the *Task Force on Climate-related Financial Disclosures* (TCFD) created by the Financial Stability Board (FSB) in the wake of the speech delivered by Mark Carney, Governor of the Bank of England, on climate change and the Tragedy of the Horizon, shows how important this issue is for major international regulatory organizations.⁹

The TCFD report reminds us that one of the essential functions of the financial markets is to adequately assess the risks related to climate change and underscores the importance of having all the necessary information when allocating capital.

In line with this report and to contribute to the implementation of a low-carbon economy, our portfolio managers contacted 55 companies to remind them of the importance of measuring and disclosing their environmental impact and greenhouse gas emissions.

This included an initiative by Desjardins Global Asset Management (DGAM), the manager of the Desjardins SocieTerra Environment Fund, which consisted in initiating a dialogue with the Fund's companies that did not meet the disclosure requirements of our environmental data supplier, Trucost. Twelve months in, the results of this initiative remain modest, but DGAM still hopes to make a significant contribution to the quality of the environmental disclosure of a number of companies by the end of 2017.

SUNCOR SUPPORTS A GROUNDBREAKING INITIATIVE IN NORTH AMERICA'S ENERGY SECTOR

Through the shareholder engagement activities it conducted last year, our responsible investment partner, NEI Investments, successfully filed a friendly shareholder proposal on climate change to Canadian oil industry giant Suncor Energy.

As it's worded in the proposal, "Be it resolved that: Suncor provide ongoing reporting on how it is assessing and ensuring long-term corporate resilience in a future low-carbon economy"¹⁰, the resolution encourages the company to present independent and integrated information on implementing a convincing climate change strategy.

The proposal is original because it comes off as friendly and non-threatening, and most importantly, because Suncor's senior management, board of directors and more than 98% of Suncor shareholders supported its adoption. According to NEI, this is clearly an unprecedented initiative in North America's energy sector, and I whole-heartedly agree!

This proposal represents a rare opportunity—it will not only see Suncor add climate change challenges to the strategic risks its board of directors regularly examines, but also send a clear economic and political signal to the players in Canada's energy industry. And this is important—if there's no immediate and effective action to improve the Canadian oil industry's performance, there'll be tough times ahead.

While the tragic fires in Fort McMurray have forced Suncor to postpone its first report on its "long-term corporate resilience in a future low-carbon economy," NEI Investments is confident the report will be made public in early 2017 and that Suncor will renew the vision for Canada's energy industry with respect to a low-carbon economy.

HUMAN RIGHTS AND THE SUPPLY CHAIN

According to the *Guiding Principles on Business and Human Rights*, businesses have a responsibility to respect human rights in all of their activities¹¹ and must consequently take steps to reduce their negative impacts in this area. International best practices in this regard consist, among other things, in putting in place transparent policies and procedures that supply enough detailed information to allow investors and the public to evaluate their effectiveness.

These issues are generally discussed with companies operating in the extraction and retail sectors.

CANADIAN TIRE IMPROVES ITS RESPONSIBLE INVESTMENT PRACTICES

Canadian Tire Corporation (CTC) is not the first company that most people think of when they think of a leader in sustainability issues in Canada. However, CTC is one of the first companies to consider business efficiency and value impact when it comes to proper management of sustainability issues like energy efficiency and emissions reduction.

Over the past years, NEI Investment has been urging CTC to enhance environmental, social and governance (ESG) disclosure. In May 2016, they wrote to CTC to ask them to provide more robust and timely public disclosure of its supplier auditing process and supply chain country risk analysis. They also asked the company to give more consistent data for business sustainability activities and initiatives and finally received a positive indication that the company was planning to release more specific ESG disclosures at a June 2016 meeting held between ESG investors and company representatives.

In September 2016, CTC released its Sustainability Report 2015–2016, which contains information not previously disclosed to the public. Of particular interest is the Ethical Sourcing section, since NEI and other Canadian investors have been urging CTC to disclose more information about ethical sourcing. CTC revealed

the approximate number of countries from which it sources, the number of factory audits completed by the company and the types of critical infractions reported in these factory audits. The report revealed that of the 558 supplier code factory audits completed by the company, 17 critical infractions were reported. Examples of critical infractions include bribery attempts and safety issues like locked fire doors. NEI had specifically requested CTC to provide this type of information. The report also revealed new information about CTC's sourcing from Bangladesh factories, as well as CTC's involvement in fire safety initiatives (Alliance for Bangladesh Worker Safety) and its responsible cotton sourcing program (CottonConnect).

April 2016 marked the third anniversary of the Rana Plaza collapse; the memory of this tragedy continues to be the driving force for improving supply chain due diligence and human rights monitoring initiatives. Going forward, we'll be working with other investors and leading companies to communicate investors' expectations for supply chain due diligence across the retail sector.



STARBUCKS INITIATIVES

As part of ClearBridge Investments' ongoing ESG engagement effort, the company hosted a call with Starbucks (SBUX) management in September 2016 to review their sustainability programs and to get an insight into any future thoughts and developments. The conversation broke into three broad topics: opportunities to expand global sustainability efforts, health and wellness, and food waste.

In 2004, Starbucks, in partnership with Conservation International, developed its own set of sourcing practices known as Coffee and Farmer Equity (C.A.F.E.) Practices; there are, however, at least four other standards or certifications that exist as well. C.A.F.E. outlines a number of labor standards and environmental criteria for its coffee suppliers which are verified through an independent third-party. Management believes that the company is a substantial player in the Arabica coffee market, and that 99% of its purchases are sourced according to their standards. Looking forward, Starbucks is encouraging broader sustainability adoption through increasing partnerships with various coffee-producing countries and NGOs.

Management also is focusing on the health and wellness of its North American food offerings. The company reiterated its commitment to us to eliminate fructose corn syrup and artificial dyes from all beverages served in North America and its intention to reduce sugar in its indulgent drinks by 25% by 2020.

Lastly, SBUX is turning attention to the intersection of food waste and domestic food insecurity. To that end, the company announced in mid-2016 a goal of distributing 50 million meals over five years to those individuals or families with food insecurity.

This information is being provided at the request of Desjardins. This information should not be used as the sole basis to make any investment decision. The information provided is for informational purposes only and should not be construed as a recommendation.

PROMOTING ENVIRONMENTAL BONDS

The strategy of our Desjardins SocieTerra Environment Bond Fund manager rests in part on the “conviction that integrating extra-financial criteria in investment decisions is key to creating value over the long term. By investing [in] sustainable bonds, Mirova strives primarily to target entities or projects that are able to seize the opportunities associated with our economy’s transition towards a more sustainable society, while ensuring that potential environmental, social and governance (ESG) issues are taken into consideration.”¹²

While these environmental bonds constitute an innovative financial offer, the offer still lacks structure and a framework. To enhance the offer’s credibility, Mirova initiated over 50 dialogues with potential environmental bond issuers around four themes to, on the one hand, encourage issuers to create environmental bonds, and on the other, to improve the practices of those who are already issuing these bonds. The four themes were:


- **The transparent use of accumulated capital to enhance the quality and clarity of environmental objectives in their projects.**
- **The publication of audited reports attesting to the traceability of capital.**
- **The creation of indicators capable of clearly measuring the benefits of a project.**
- **The communication of the organization’s ESG risk management strategies.**

Through its partnership with Mirova, Desjardins Funds is proud to have been able to contribute to the credibility and growth of the environmental bond market.

2016 SUMMARY OF SOCIETERRA PORTFOLIO DIALOGUES




These dialogues were all conducted on behalf of the SocieTerra portfolios in 2016. For more information about the composition of your SocieTerra portfolios, visit the [Desjardins Funds Information Centre](#).

This appendix presents the 96 shareholder dialogues conducted by our portfolio managers.

 Target reached
  Positive
  Neutral
  Paused
  Negative


COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
3M	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights Diversity of the board and senior management Integration and disclosure of ESG risks 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	
AFD	France	<ul style="list-style-type: none"> Environmental Bond best practices 	Desjardins SocieTerra Environmental Bond Fund	Mirova	
Agrium	Canada	<ul style="list-style-type: none"> Human rights 	NEI Ethical Canadian Equity Fund	NEI Investments	
Alcoa	United States	<ul style="list-style-type: none"> Climate change and transparency 	NEI Ethical American Multi-Strategy Fund	NEI Investments	
AltaGas	Canada	<ul style="list-style-type: none"> Climate change and transparency Human rights Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
American Water Works	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights Water-related risk management 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
Ameriprise Financial	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
A.O. Smith	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights Integration and disclosure of ESG risks 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
BB&T	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Biogen	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights Diversity of the board and senior management Access to medicines and healthcare 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	


COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Brookfield Renewable Partners	United States	<ul style="list-style-type: none"> Climate change and transparency Water-related risk management Management of impacts on communities Integration and disclosure of ESG risks Governance practices and shareholder rights 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	↑
C.H. Robinson Worldwide	United States	<ul style="list-style-type: none"> Climate change and transparency Governance practices and shareholder rights 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	↑
California Water Service	United States	<ul style="list-style-type: none"> Climate change and transparency Water-related risk management 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	↑
Canadian Utilities / ATCO	Canada	<ul style="list-style-type: none"> Climate change and transparency 	NEI Ethical Canadian Equity Fund	NEI Investments	↑
CGI	Canada	<ul style="list-style-type: none"> Human rights Privacy Corruption Governance practices and shareholder rights Integration and disclosure of ESG risks 	NEI Ethical Canadian Equity Fund	NEI Investments	N
China Petroleum & Chemical	China	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	↔
Citizens Financial Group	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Canadian National Railway Company	Canada	<ul style="list-style-type: none"> Climate change and transparency Transport of dangerous goods 	NEI Ethical Canadian Equity Fund	NEI Investments	↑
Canadian Natural Resources	Canada	<ul style="list-style-type: none"> Stranded carbon assets Climate change and transparency 	NEI Ethical Canadian Equity Fund	NEI Investments	N
Coca-Cola	United States	<ul style="list-style-type: none"> Access to food Executive compensation 	NEI Ethical American Multi-Strategy Fund	NEI Investments	↔

 Target reached
  Positive
  Neutral
  Paused
  Negative




COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Computershare	Australia	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Crown Castle International	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Danone	France	<ul style="list-style-type: none"> Access to food 	NEI Ethical International Equity Fund	NEI Investments	N
Empire (Sobeys)	Canada	<ul style="list-style-type: none"> Animal welfare Access to food Cybersecurity Integration and disclosure of ESG risks 	<ul style="list-style-type: none"> NEI Ethical Special Equity Fund NEI Ethical Canadian Equity Fund 	NEI Investments	
Enbridge Gas Distribution	Canada	<ul style="list-style-type: none"> Climate change and transparency Stranded carbon assets 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Endo International	United States	<ul style="list-style-type: none"> Climate change and transparency Governance practices and shareholder rights 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Ensign Energy Services	Canada	<ul style="list-style-type: none"> Climate change and transparency Diversity of the board and senior management 	<ul style="list-style-type: none"> NEI Ethical Special Equity Fund NEI Ethical Canadian Equity Fund 	NEI Investments	
Fastenal	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
FleetCor Technologies	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Flight Centre Travel Group	Australia	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Franco-Nevada	Canada	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Frontier Communications	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Gibson Energy	Canada	<ul style="list-style-type: none"> Climate change and transparency Diversity of the board and senior management Integration and disclosure of ESG risks 	<ul style="list-style-type: none"> NEI Ethical Special Equity Fund NEI Ethical Canadian Equity Fund 	NEI Investments	
Goldcorp	Canada	<ul style="list-style-type: none"> Climate change and transparency Water-related risk management Human rights 	NEI Ethical Canadian Equity Fund	NEI Investments	
H&R Block	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Iberdrola	Spain	<ul style="list-style-type: none"> Environmental Bond best practices 	Desjardins SocieTerra Environmental Bond Fund	Mirova	N
Industrial & Commercial Bank of China	China	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
ING Group	Netherlands	<ul style="list-style-type: none"> Human rights 	NEI Ethical International Equity Fund	NEI Investments	N
Intel	United States	<ul style="list-style-type: none"> Environment-oriented management of activities Workforce diversity Responsible procurement 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	
Itron	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights Executive compensation 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
Jean Coutu	Canada	<ul style="list-style-type: none"> Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	N

 Target reached
  Positive
  Neutral
  Paused
  Negative


COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Johnson & Johnson	United States	<ul style="list-style-type: none"> • Access to medicines and healthcare • Clinical trials and transparency • Aggressive taxation Strategy 	NEI Ethical American Multi-Strategy Fund	NEI Investments	
Kemira	Finland	<ul style="list-style-type: none"> • Governance practices and shareholder rights • Executive compensation 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
Lassonde Industries	Canada	<ul style="list-style-type: none"> • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Leon's	Canada	<ul style="list-style-type: none"> • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Leroy Seafood Group	Norway	<ul style="list-style-type: none"> • Responsible procurement • Integration and disclosure of ESG risks 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
Loblaw	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Food waste • Animal welfare • Access to food • Responsible procurement • Cybersecurity • Integration and disclosure of ESG risks 	NEI Ethical Canadian Equity Fund	NEI Investments	
Lumenpulse	Canada	<ul style="list-style-type: none"> • Governance practices and shareholder rights • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
M&T Bank	United States	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
M3	Japan	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Manitoba Telecom Services	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Human rights • Cybersecurity 	NEI Ethical Special Equity Fund	NEI Investments	

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Mednax	United States	<ul style="list-style-type: none"> • Access to medicines and healthcare • Integration and disclosure of ESG risks 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	
Metro	Canada	<ul style="list-style-type: none"> • Food waste • Animal welfare • Access to food • Cybersecurity • Integration and disclosure of ESG risks 	NEI Ethical Canadian Equity Fund	NEI Investments	
Mitel Networks	Canada	<ul style="list-style-type: none"> • Human rights • Privacy • Diversity of the board and senior management • Cybersecurity • Corruption • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Monster Beverage	United States	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Mullen Group	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Diversity of the board and senior management • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Nestlé	Switzerland	<ul style="list-style-type: none"> • Access to food 	NEI Ethical International Equity Fund	NEI Investments	
Netflix	United States	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
New York Community Bancorp	United States	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Novo Nordisk	Danmark	<ul style="list-style-type: none"> • Access to medicines and healthcare 	NEI Ethical International Equity Fund	NEI Investments	


 Target reached
  Positive
  Neutral
  Paused
  Negative

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Ormat Technologies	United States	<ul style="list-style-type: none"> Governance practices and shareholder rights 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	N
Parkland Fuel	Canada	<ul style="list-style-type: none"> Climate change and transparency Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
People's United Financial	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
PotashCorp	Canada	<ul style="list-style-type: none"> Human rights 	NEI Ethical Canadian Equity Fund	NEI Investments	N
Rakuten	Japan	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Regions Financial	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	N
Restaurant Brands International	Canada	<ul style="list-style-type: none"> Animal welfare 	NEI Ethical Canadian Equity Fund	NEI Investments	N
Robert Half International	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Roche	Switzerland	<ul style="list-style-type: none"> Access to medicines and healthcare 	NEI Ethical International Equity Fund	NEI Investments	N
Rockwell Automation	United States	<ul style="list-style-type: none"> Executive compensation Governance practices and shareholder rights 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Rogers	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Human rights • Privacy • Cybersecurity 	NEI Ethical Canadian Equity Fund	NEI Investments	
Sanofi	France	<ul style="list-style-type: none"> • Access to medicines and healthcare 	NEI Ethical International Equity Fund	NEI Investments	
Sanrio	Japan	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
SBA Communications	United States	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Secure Energy Services	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Diversity of the board and senior management • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Sempra Energy	United States	<ul style="list-style-type: none"> • Climate change and transparency • Environment-oriented management of activities • Management of impacts on communities 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	
SINOPEC Engineering (Group)	China	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Sinopharm Group	China	<ul style="list-style-type: none"> • Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Starbucks	United States	<ul style="list-style-type: none"> • Responsible procurement • Water-related risk management • Access to food • Food waste • Labour standards 	Desjardins SocieTerra American Equity Fund	ClearBridge Investments	
Stella-Jones	Canada	<ul style="list-style-type: none"> • Governance practices and shareholder rights 	NEI Ethical Special Equity Fund	NEI Investments	

 Target reached
  Positive
  Neutral
  Paused
  Negative

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Sun Art Retail Group	China	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Suncor Energy	Canada	<ul style="list-style-type: none"> Climate change and transparency stranded carbon assets 	NEI Ethical Canadian Equity Fund	NEI Investments	
SunTrust Banks	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Superior Energy Services	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Telus	Canada	<ul style="list-style-type: none"> Climate change and transparency Human rights Privacy Cybersecurity Executive compensation 	NEI Ethical Canadian Equity Fund	NEI Investments	
TenneT	Netherlands	<ul style="list-style-type: none"> Environment-oriented management of activities 	Desjardins SocieTerra Environmental Bond Fund	Mirova	
The Priceline Group	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Thermo Fisher Scientific	United States	<ul style="list-style-type: none"> Integration and disclosure of ESG risks 	NEI Ethical American Multi-Strategy Fund	NEI Investments	
T-Mobile	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	
Unibail-Rodamco	France	<ul style="list-style-type: none"> Environmental Bond best practices 	Desjardins SocieTerra Environmental Bond Fund	Mirova	
Windstream Holdings	United States	<ul style="list-style-type: none"> Climate change and transparency 	Desjardins SocieTerra Environment Fund	Desjardins Global Asset Management	

COMPANY	COUNTRY	ISSUES RELATED TO ESG FACTORS	FUND	ENGAGEMENT PERFORMED BY	RESULTS
Winpak	Canada	<ul style="list-style-type: none"> • Climate change and transparency • Integration and disclosure of ESG risks 	NEI Ethical Special Equity Fund	NEI Investments	
Xylem	United States	<ul style="list-style-type: none"> • Governance practices and shareholder rights • Climate change and transparency 	Desjardins SocieTerra Cleantech Fund	Impax Asset Management	
Yum! Brands	United States	<ul style="list-style-type: none"> • Animal welfare • and access to food 	NEI Ethical American Multi-Strategy Fund	NEI Investments	

If you have any questions or comments, please write to ir@desjardins.com.

NOTES

- ¹ Link: www.fondsdesjardins.com/information/responsible-investment-policy.pdf
- ² More specifically, the legal entity Desjardins Investments Inc., which manages the Desjardins Funds product line, is the signatory of the PRI.
- ³ The vote disclosure period is selected based on the regulatory requirements that govern the disclosure of Desjardins Funds' proxy voting rights.
- ⁴ Under the Canada Business Corporations Act we are not allowed us to vote against a director, only to abstain. <http://laws-lois.justice.gc.ca/eng/acts/C-44/>
- ⁵ Our practise is to vote against the chair of the board of directors when there is no nominating committee.
- ⁶ The advisory vote on executive compensation is a practice that consists in submitting to the approval of shareholders a non-binding proposal on the method of compensating senior executives. While not a regulatory obligation, it has become a best governance practice in the wake of numerous shareholder engagement campaigns conducted in Canada and the United States.
- ⁷ <http://www.ledevoir.com/environnement/actualites-sur-l-environnement/489471/nouveau-record-de-chaleur-sur-terre-en-2016>
- ⁸ http://www3.weforum.org/docs/GRR17_Report_web.pdf
- ⁹ <http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx>
- ¹⁰ Suncor Energy, 2016 Management Proxy *Circular*, p. A-1 <http://www.suncor.com/en-ca/investor-centre/financial-reports/annual-disclosure>
- ¹¹ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
- ¹² http://www.mirova.com/Content/Documents/Mirova/publications/va/Voting%20and%20engagement/Mirova%20Engagement%20Report%202015_EN.pdf

