

# Policy on the Exercise of Proxy Voting Rights

2023



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**Note:** This policy is updated as needed. This version is the version that is currently in effect in our proxy voting activities.

# POLICY ON THE EXERCISE OF PROXY VOTING RIGHTS

## I. GENERAL STATEMENT

DGAM's primary responsibility, in its capacity as a portfolio manager and investment fund manager (the "Manager") for DGAM Funds, Desjardins ETFs and Hexavest Funds (the "Funds"), is to protect the medium- and long-term interests of its clients and holders of the Funds (the "Clients") while growing their capital by investing wisely in companies that are profitable or that offer attractive profitability prospects.

This policy governs DGAM in its specific role as Manager. It defines the conditions that DGAM intends to respect with regard to the exercise of voting rights linked to securities held in the portfolio with, as a backdrop, the interests of Clients and Funds.

However, the success of the companies held in the portfolio is also dependent on non-financial and even economic factors. Companies have a social responsibility to the communities in which they operate. The challenges of this responsibility are increasingly at the heart of risk management and relate in particular to protecting reputation and brand image, managing environmental risks, the financial consequences of which can often be major, access to financing, the ability to recruit and retain its employees and, ultimately, the ability to retain its markets and maintain its operations. In addition, the policy endeavors to follow best governance practices to minimize the risks associated with holding certain securities. In fact, by seeking to improve transparency, treat all shareholders fairly, ensure the independence of directors, and provide reasonable compensation to executives, the policy mitigates the risks associated with these issues.

## II. OBJECTIVE

The specific and exclusive purpose of this policy is to define the conditions governing the exercise of the proxy voting rights attached to the securities held in the portfolios at any meeting of the holders of such securities where such exercise of the voting rights is not already the subject of specific written instructions from the Clients.

## III. TERMINOLOGY

**Financial blackmail:** Better known as "greenmail". An investor acquires a significant stake in a company and threatens to trigger a takeover bid if their stake is not bought out at a higher than market price.

**Blank-cheque preferred shares:** This term designates a class of shares whose characteristics (voting rights, dividend, conversion, etc.) are left to the sole discretion of the Board of Directors. These shares typically have a fixed dividend and benefit from a higher security interest than the common shares.

**Plural vote:** Voting system in which the candidate who obtains the most votes is elected. It is not necessary to obtain a majority of votes.

**Cumulative voting:** Weighted voting system where voters assign the number of points they want to the different candidates.

**Related proposal:** Proposal submitted to a shareholder vote on several different subjects (such as approving the election of a director and their compensation).

**Advisory vote:** Proposal submitted to the vote of the shareholders at a general meeting that does not entail any obligation of action on the part of the management, as opposed to a binding vote which obliges the management to take note of the resolutions approved by a majority of shareholders.

## IV. POLICY COMPONENTS

### 1. General Principles for Interpreting this Policy

#### 1.1

The primary responsibility of DGAM, in its capacity as Manager, is to protect the medium and long-term interests of Clients and to make their capital grow by investing wisely in companies that are profitable or that offer attractive profitability prospects.

#### 1.2

DGAM, either directly or through its agents, ensures the protection of the medium and long-term interests of Clients by fully exercising the rights attached to the securities they hold in their portfolio. These rights include obtaining adequate and up-to-date information about the company's circumstances, contacting its board of directors as deemed necessary and voting at meetings of the holders of such securities. However, DGAM does not intend to replace governments and regulatory bodies or intervene in the internal management of the companies concerned.

#### 1.3

In accordance with the values of Desjardins Group, DGAM affirms that the pursuit of profitability must be done with respect for communities and without contravening a company's social responsibility, particularly in terms of the environment and human rights.

#### 1.4

Policy elements must always be applied in the context of each business. This policy is a guide for the reflection that each person responsible for exercising voting rights must carry out. While not an absolute, each company's unique circumstances should be considered when voting. This includes considering the impact of any proposal on the value of the company and its operational capacity and avoiding unduly restricting the board's freedom of action or imposing obligations that are outside its mandate. One must also take into account the programs and measures already in place in society and avoid duplicating them by creating new obligations covering substantially the same objects.

#### 1.5

The exercise of proxy voting rights attached to securities of non-Canadian and non-U.S. companies may be limited by certain factors. Thus, the deadlines for submitting proposals may be too short to allow examination. In some countries it is not possible to vote by proxy.

#### 1.6

In its efforts to grow Clients' capital, the Manager may engage in securities lending transactions. In such transactions, the proxy voting rights attached to the loaned securities may be transferred to the borrower under the rules in effect at the place where the transaction is conducted. In such a case, the Manager will decide between the Clients' interest in recalling the lent securities to exercise the right to vote by proxy or in maintaining the securities lending transaction.

#### 1.7

This policy covers several subjects on which DGAM may be called upon to exercise a right to vote by proxy. However, it cannot foresee all possible situations. In addition, the legal environment or management practices in some countries may render the application of a position inapplicable or counterproductive. When an unprecedented situation arises, or when the context justifies it, DGAM will exercise its right to vote by proxy in the most constructive manner possible, taking into account the spirit of the values and principles of this policy. In addition, all votes of this nature will be reviewed annually to determine whether the exception is still justified.

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### 1.8

In certain situations, DGAM may manage equities, fixed income and preferred shares for the same Client. It could happen that the interests of these different positions are in conflict. In these particular cases, the exercise of voting rights must take into account all the investments and will be exercised according to the dominant position of the Client's portfolio.

## 2. Rules of Good Governance

### 2.1 Board of Directors

#### Guiding principles

#### 2.1.1

The Board of Directors ("Board") sees to the promotion of the interests of the company. It appoints the president and chief executive officer and defines the responsibilities and assesses the performance of that person. It defines the company's strategic directions, ensures the implementation of monitoring and control mechanisms and ensures follow-up. It's desirable that these functions be carried out independently of the company's management, whose interests may differ from those of the company and, consequently, those of the shareholders.

#### 2.1.2

Directors must be independent of the management of the corporation they administer.

#### 2.1.3

The mechanisms for electing or appointing directors must promote representation on the Board that is as faithful as possible to the composition of the shareholders and, to this end, promote the plurality of applications for the positions of directors of the company. Shareholders must have the opportunity to elect all directors annually. However, it is desirable to maintain continuity on the Board and the replacement of all directors should be considered an exceptional measure that must be motivated by equally exceptional circumstances.

#### 2.1.4

Under the method of appointment currently in effect in the vast majority of companies, a director may be elected with fewer votes than the number of abstentions. A nominee who receives fewer votes than there are abstentions does not have the support of shareholders and should resign.

If the Board chooses to appoint an audit committee, a nominating committee or a compensation committee, these committees must be composed of independent directors. Similarly, the Board must ensure the independence of the external auditor with respect to the management of the company.

#### 2.1.5

Generally, the principles described above should enable the Board to function effectively, competently, and independently of the company's management.

#### Position

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 2.1.A) It will vote FOR resolutions to create or maintain a minimum of two-thirds of independent directors. It will vote AGAINST any non-independent nominee if electing that person would reduce the proportion of independent directors to less than two-thirds.

A director is considered independent if they have no personal or professional relationship with the company or its officers that could

reasonably be expected to affect their judgment. More specifically, a director will not be qualified as independent if:

- They were a member of senior management or an employee of the company within the last 3 years.
- A member of their immediate family was a member of the company's senior management within the last 3 years.
- They or a member of their immediate family received more than \$75,000 annually as direct compensation from the company over a period of 12 months within the last 3 years.
- They are employed by, or are a member of management, a director, a partner, or a consultant of an entity that has a significant economic relationship with the company. Significant here is defined as the greater of a payment of \$200,000 or 5% of the beneficiary's gross income.
- They have served on the Board of Directors for more than 12 years after their first election.

2.1.B) It will vote FOR any proposal requesting that the Board amend the company's bylaws or adopt a governance policy that maximizes the nomination and election of individuals independent of management as directors of the company.

2.1.C) It will vote FOR any proposal aimed at establishing the majority vote when there is only 1 candidate per position to be filled or the plurality vote in situations where there is more than 1 candidate per position to be filled; it will vote FOR any proposal asking the Board to adopt a bylaw, governance policy or any other measure whereby any candidate elected to the position of director having obtained fewer votes than the number of abstentions is required to resign, the Board having the power to accept or not this resignation according to the circumstances and, if necessary, to provide for a replacement.

2.1.D) It will vote FOR proposals to establish or maintain an audit committee, nominating committee or compensation committee composed entirely of non-affiliated outside directors. The compensation committee will not have more than 1 in 3 members who are the president and chief executive officer of a public company.

2.1.E) It will vote FOR any proposal requesting the disclosure of all fees paid to the auditor, distinguishing audit-related fees from fees paid for other purposes.

2.1.F) It will SUPPORT the election of each director individually. It will vote AGAINST proposals calling for the election of directors as a block. It will be in favour of proposals having the effect of establishing the annual election of all directors.

2.1.G) It will vote FOR any proposal to split the roles of chair of the board and president and chief executive officer or to have an independent director assume the role of chair. In the case of smaller companies, or when the situation justifies using a single person to carry out both functions, it will request the creation of a position of lead director occupied by an independent director who will ensure the efficient conduct of the work of the Board or the establishment of mechanisms to ensure the independence of the Board, in particular on matters relating to the choice of directors and the compensation of members of management.

2.1.H) It will vote AGAINST the directors concerned, or the entire Board, depending on the situation, if they have taken inappropriate actions or practices, failed in their duties or if they have shown incompetence, negligence, carelessness, or inaction in the conduct of the company's affairs, whether it concerns the company's operations, its governance, its stakeholders, or its environmental footprint.

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- 2.1.I) It will vote AGAINST the appointment or re-election of a director if it determines that the person is unlikely to be able to devote sufficient time to their duties as a director.
- 2.1.J) It will vote AGAINST the chair of the nominating committee when the board has less than 30% women. In Canada, a vote AGAINST will also be taken when the company does not have a policy with objectives aimed at increasing the proportion of women on the Board.
- 2.1.K) It will vote AGAINST the chair of the nominating committee when no director is from underrepresented groups or where the company does not have a policy to increase the proportion of directors from underrepresented groups, in the countries providing such information.<sup>[1]</sup>
- 2.1.L) It will vote AGAINST the re-election of directors who did not follow up on a proposal adopted by a majority of shareholders.
- 2.1.M) It will vote AGAINST the re-election of members of the compensation committee who would not have made any changes after an advisory vote on executive compensation received less than 70% of the votes in favour.

### 2.2 Verification Firm (Auditors)

#### Guiding principle

##### 2.2.1

To ensure that the financial statements are properly prepared, the auditor must be independent of the business. To ensure its independence, audit fees must represent more than the majority of the annual fees paid to the auditor.

#### Position

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 2.2.A) It will OPPOSE the appointment of an audit firm if the audit fees represent less than half of the auditor's annual fees or if the auditor's term with the company exceeds 20 years.
- 2.2.B) It will vote FOR any proposal requesting the disclosure of all fees paid to the auditor, distinguishing audit-related fees from fees paid for other purposes.

### 2.3 Compensation of Directors and Management

#### Guiding principles

##### 2.3.1

The compensation plan should help align the interests of directors and managers with the long-term interests of the company and its shareholders.

##### 2.3.2

The compensation plan must take into account market conditions and the need to attract qualified people.

##### 2.3.3

The incentive (variable) portion of compensation should be tied to objective factors such as revenue or profitability growth, return on shareholder's investment, or other similar measures. Other factors related to the exercise of corporate social responsibilities as defined in section 3 of this Policy may also be considered.

##### 2.3.4

Shareholders should always have a say in director and management compensation plans. Directors' compensation plans should be proposed separately from managers' compensation plans.

##### 2.3.5

Directors should not be eligible for stock option plans because, unlike stock ownership, such plans do not have a downside risk and the gains they generate are often generated by general market appreciation rather than by the performance of the company. However, in certain circumstances, such as for a start-up company that wants to attract experienced directors, such plans may be useful. Still, these regimes should never apply to both directors and management of the company.

##### 2.3.6

The payment of a portion of executive compensation should be determined by environmental, social and governance criteria.

#### Position

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 2.3.A) It will be in FAVOUR of the compensation committee being authorized to use independent expertise as required. It will vote FOR any proposal requesting the disclosure of the identity of the consultant or consultants, as well as all fees paid to them, distinguishing the fees related to their work on compensation from fees paid for other purposes.
- 2.3.B) It will vote FOR proposals that have the effect of creating or continuing a compensation plan for directors or managers based on the achievement of objectives consistent with the long-term interests of the company and shareholders. These objectives may be financial and they may also be linked to the exercise of the company's social and environmental responsibilities.
- 2.3.C) It will vote AGAINST the creation of option plans for managers or directors and it will vote AGAINST any enhancement of existing plans, except for start-up companies and small capitalization companies (according to the threshold defined in the Canadian market), in which case it will examine the proposals relating to such plans individually, taking into account in particular the cost of the program, the effect of dilution, its reasonable nature with regard to the terms of participation and the modulation of the plan according to company performance. Neither the provisions of these plans nor the exercise price of the options may be modified without the consent of the shareholders.
- 2.3.D) It will vote AGAINST an executive compensation policy or plan for the following reasons:
- Earnings per share is a key element of compensation and there was a significant share repurchase during the period
  - Environmental or social controversies that had a material impact on the business occurred during the period in question and this is not reflected in the compensation of executive officers.
- 2.3.E) It will vote FOR any proposal to record in the financial statements the expenses arising from the options granted.
- 2.3.F) It will review proposals relating to manager loan programs on a case-by-case basis, including a request that the interest rate charged be at least equal to the market rate.
- 2.3.G) It will review severance proposals on a case-by-case basis and oppose proposals that appear excessive or unjustifiable (golden parachutes).
- 2.3.H) It will vote FOR any proposal favouring disclosure of the compensation plan for directors and managers.
- 2.3.I) It will vote FOR any proposal calling for an advisory vote on the compensation of directors and members of management.

<sup>[1]</sup>United States, Canada, United Kingdom, Australia

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- 2.3.J) It will vote AGAINST directors who do not hold shares in the company after 1 year of presence on the Board.
- 2.3.K) It will vote FOR proposals calling for the disclosure of an equity report or a ratio between the total compensation of the highest-paid employees and the average compensation of employees.
- 2.3.L) It will review proposals relating to executive compensation plans on a case-by-case basis and vote AGAINST excessive compensation.

### 2.4 Protection Against Takeover Bids

#### Guiding principle

##### 2.4.1

In general, takeover bids will be considered on a case-by-case basis, with the interests of shareholders being the main benchmark.

#### Position

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 2.4.A) It will vote FOR shareholder rights plans that provide equal treatment to shareholders in the event of a takeover bid and that provide the company with sufficient time to consider alternatives to the bid. It will vote AGAINST share rights plans that have the obvious purpose of protecting management or that create conditions that are unfair to certain shareholders.
- 2.4.B) It will vote AGAINST any defensive action consisting of selling the business's best assets unless it is shown to be in the best interests of all stakeholders of the company.
- 2.4.C) It will generally vote FOR going private, leveraged buyouts and other similar purchase transactions if they adequately compensate shareholders for the transaction. However, a case-by-case analysis will be performed in situations where these proposals would not be in the best interests of stakeholders other than shareholders.
- 2.4.D) It will vote AGAINST lock-up agreements that have the stated objective of preventing competing bids that may be more beneficial to shareholders.
- 2.4.E) It will vote AGAINST payment for financial blackmail. The price paid for the shares of the company must be the same for all shareholders.
- 2.4.F) It will vote AGAINST reincorporation proposals whose sole justification is to counter a takeover. It will, however, support a reincorporation based on financial, commercial or economic reasons.

### 2.5 Shareholder Rights

#### Guiding principles

##### 2.5.1

The principle of shareholder equity (also known as "one share = one vote") whereby each share of a company carries the same rights, including voting rights, ensures that a company is not controlled by a minority of shareholders holding a majority of the voting rights.

##### 2.5.2

Keeping the vote confidential, rather than by a show of hands, allows shareholders to vote more freely.

##### 2.5.3

A simple majority vote is generally preferable as it's the easiest way for shareholders to cast their votes. However, the use of a greater majority vote may be justified in some cases, such as a merger or acquisition.

##### 2.5.4

The practice of cumulative voting may ensure the independence of a portion of the Board of Directors when a shareholder, or group of shareholders, holds a number of voting rights that places them in a position of strength.

##### 2.5.5

Shareholders must also have access to complete and accurate information about the company.

##### 2.5.6

Shareholders must be able to consider each of the proposals submitted to them independently of any other proposal.

##### 2.5.7

Any action resulting in the creation of new shares or a change in the attributes of existing shares must be proposed to shareholders as it directly affects their rights. However, it may be desirable to provide directors with the opportunity to create new shares for a variety of purposes where the interests of the corporation so warrant, such as to effect a stock split or to finance a restructuring or acquisition.

##### 2.5.8

Shareholders must be able to submit proposals at a meeting of shareholders and must have the opportunity to justify those proposals so that shareholders can cast an informed vote. However, these proposals must not unduly restrict the freedom of action of directors or management. They must also not have the effect of diluting the directors' fiduciary responsibility towards the company or making them liable for persons who are not shareholders.

#### Position

Generally, DGAM will support proposals protecting shareholder rights. Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 2.5.A) It will vote FOR proposals calling for nominations of directors nominated by shareholders, provided that proposals are submitted by shareholders who have held for at least 2 years a minimum number of shares determined by the size of the company. It will then examine the nominations on a case-by-case basis according to the skills of the nominees and the particularities of the company.
- 2.5.B) It will vote AGAINST the creation or extension of a double-class share ownership plan (restricted shares, multiple voting shares, etc.) and will vote FOR the abolition of such plans.
- 2.5.C) It will OPPOSE the practice of related proposals, except in cases where it will be clearly demonstrated that both resolutions are in the best interests of shareholders and that it makes sense to adopt them simultaneously.
- 2.5.D) It will vote FOR the introduction or continuation of cumulative voting. The same applies to confidential voting.
- 2.5.E) It will vote FOR proposals authorizing the directors to create new shares. Generally, however, it will vote AGAINST a proposal calling for an increase of more than 50% in the number of shares, unless the proposal specifically states the purposes for which the new shares are required.
- 2.5.F) It will vote AGAINST the issuance of blank-cheque preferred shares, the terms of which can be determined by the Board without consulting the shareholders, unless it is clearly established that this is in the best interests of the shareholders.
- 2.5.G) It will vote FOR proposals to introduce majority voting.

### 3. Corporate Social Responsibility

#### 3.1 Human and Labour Rights

##### *Guiding principles*

The United Nations states that while corporations should not be a substitute for governments and international organizations in the promotion of human and labour rights, they are nevertheless responsible for ensuring that their operations do not interfere with the exercise of these rights.

##### 3.1.1

In general, it's desirable to support proposals that advocate respect for human rights, in Canada as in other regions of the world, when these proposals are based on the universal principles established by the Universal Declaration of Human Rights of the United Nations, by the conventions of the International Labour Organization ("ILO"), by the Charter of Human Rights and Freedoms of the Canadian Constitution, or by another text whose universal scope is recognized.

##### 3.1.2

Firms should use recognized certification bodies.

##### 3.1.3

Since Desjardins is a founding signatory to the Canadian Investor Statement on Diversity & Inclusion, it is important for Desjardins to promote data disclosure and the implementation of policies promoting diversity and inclusion on the boards of directors and management of the companies in which Desjardins invests.

##### **Position**

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 3.1.A) It will vote FOR the adoption of codes of conduct or measures relating to:
  - 3.1.A.1) Labour rights as defined by the ILO and in particular the prohibition of forced labour, the prohibition of child labour, the prohibition of discrimination in hiring and in working conditions, and the right to association and collective bargaining.
  - 3.1.A.2) Policies against discrimination based on gender, skin colour, ethnic origin, religion or sexual orientation.
  - 3.1.A.3) Fundamental rights in conflict zones.
  - 3.1.A.4) Respect of adequate working conditions in all facilities of a company and its subcontractors, in all countries around the world.
  - 3.1.A.5) The adoption of policies, disclosure of strategies, and publication of reports on diversity and inclusion (including racial equity) within the organization and the Board.
  - 3.1.A.6) The adoption of policies, disclosure of strategies and publication of reports on pay equity within the company and the Board.
- 3.1.B) It will vote FOR any resolution calling on a recognized international certification body to verify respect for human rights in the facilities of companies and their subcontractors and make appropriate recommendations.
- 3.1.C) It will vote FOR proposals calling for the integration of human rights into company policies; FOR proposals requesting the establishment of a strategy in accordance with the United Nations Universal Declaration of Human Rights; and FOR proposals requesting human rights supply chain risk assessment.

#### 3.2 Environmental Protection

##### *Guiding principles*

##### 3.2.1

Desjardins Group adheres to the United Nations Environment Programme Statement by Financial Institutions on the Environment & Sustainable Development, which considers sustainable development to be a fundamental aspect of sound business management.

##### 3.2.2

Companies should be guided by sustainable development tools created by the international community, initiatives set up by the United Nations, international bodies or organizations, and generally accepted frameworks, standards, guides and codes of conduct or other tools for social responsibility, the environment or sustainable development.

##### 3.2.3

However, companies may need time to adapt to these international instruments.

##### 3.2.4

Companies should take the necessary steps to protect the environment, both in terms of their operations and their products or services. They should respect the principle of precaution as defined in the Quebec *Sustainable Development Act*, the guiding principles adopted by the Government of Canada, and customary international law. Generally, they should take a cautious approach to health and the environment by analyzing all available options, as opposed to just doing a risk analysis of 1 preferred option.

##### 3.2.5

These companies should file periodic environmental performance reports disclosing adequate information with respect to environmental risks and responsibilities, particularly with respect to the environmental impact of their operations, products or services, as well as their plans for building any new infrastructure or expanding their operations.

##### 3.2.6

In order to reduce their greenhouse gas emissions, more and more companies are adopting climate transition action plans (also known as energy transition plans / Say On Climate) to show their stakeholders how they're reducing their carbon footprint. The quality and level of detail of these plans vary from company to company. They require in-depth analysis to identify actions or orders of magnitude that are inconsistent with the company, that is, greenwashing attempts.

##### **Position**

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 3.2.A) It will vote FOR any proposal requesting or ratifying adherence to initiatives developed by international bodies or organizations and to generally accepted standards, frameworks, guides and codes of conduct or other generally recognized tools.
- 3.2.B) It will vote FOR any proposal that encourages companies to produce an environmental assessment of their current or proposed operations, as well as those calling for the adoption of quantifiable targets to reduce pollutant loads.
- 3.2.C) It will vote FOR proposals requesting the disclosure of the strategy regarding deforestation in the supply chain and its impacts or the adoption of a reasonable policy on this issue.
- 3.2.D) It will vote FOR proposals requesting the disclosure of the strategy regarding the reduction of plastic pollution.
- 3.2.E) It will vote FOR proposals requesting the disclosure of the strategy regarding the reduction of pesticide use in the supply chain.

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- 3.2.F) It will vote FOR proposals requesting the publication of a report on climate lobbying in accordance with the Paris Agreement.
- 3.2.G) It will vote FOR proposals requiring financial institutions to report on their financing of projects with a significant pollution impact.
- 3.2.H) It will also vote FOR the implementation of climate reporting, climate objectives and the holding of a vote on these plans and objectives in line with the Say On Climate initiative.
- 3.2.I) It will vote AGAINST energy or climate transition plans if:
- Reduction targets are not aligned with the goals of the Paris Agreement
  - The report does not provide the company's material indirect (scope 3) emissions
  - An interim target was not adopted and disclosed
  - The report is not aligned with a recognized reporting framework such as TCFD
  - The company has no strategy for phasing out the use and/or production of fossil fuels
  - New fossil fuel-intensive projects have been funded
  - Emission data has not been independently verified
  - No annual report is made to shareholders
  - The company does not plan to adopt practices that are in line with the general guidelines of the above-mentioned statements

### 3.3 Community Support

#### *Guiding principles*

##### 3.3.1

Supporting the community is at the very heart of Desjardins Group's mission, which has been a living expression of it for more than a century. This principle can be summarized in a single sentence, the scope of which is broad and encompassing: Fostering the social and economic engagement of businesses in their communities.

##### 3.3.2

A company's primary purpose remains to prosper economically. However, experience has taught us that a firmly rooted company is stronger, more resilient and more likely to prosper over the long term.

##### 3.3.3

It is desirable for companies to establish social responsibility reports, in which the company is fully accountable for its influence on the community, to the extent, again, that this exercise remains proportionate to the resources of the company.

##### 3.3.4

It's important to include Indigenous Peoples in conversations about investment policies and practices that directly affect them and to consider their economic, social and environmental well-being. To contribute to reconciliation, the investment sector needs to include Indigenous perspectives throughout the investment chain and no longer solely from a risk management perspective.

#### *Position*

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 3.3.A) It will vote FOR any proposal aimed at developing or maintaining the company's social or economic engagement, insofar as it is proportional to its financial capacities and resources.

- 3.3.B) It will vote FOR any proposal requesting the publication of a social responsibility report detailing the company's social responsibility actions.

- 3.3.C) It will vote FOR proposals requesting the disclosure of strategies regarding the consultation, involvement, and hiring of Indigenous Peoples in the company's activities; as well as FOR proposals requesting the disclosure of strategies regarding investments in Indigenous Communities. In particular, it will support proposals requiring that any new project be subject to the free, prior and informed consent of Communities, as stipulated in the United Nations Declaration on the Rights of Indigenous Peoples.

### 3.4 Financial Ethics

#### *Guiding principles*

##### 3.4.1

Desjardins Group originated from the desire to create capital and make it accessible to people who need it, on reasonable terms and conditions. This need is just as present today in every country in the world. These principles must be reaffirmed, while being updated.

##### 3.4.2

Furthermore, the globalization of financial transactions has highlighted the role and responsibility of financial institutions with respect to certain practices that are sometimes legitimate but which can also be used for illicit purposes to corrupt the political process or to support crime. We must strongly denounce the illegal use of the international financial system.

#### *Position*

Except when the particular situation of a company justifies it, when DGAM chooses to exercise its voting rights for the securities in the Clients' portfolio:

- 3.4.A) It will vote FOR any proposal aimed at eliminating usurious or abusive interest rates.
- 3.4.B) It will vote FOR any proposal to introduce microcredit to individuals and groups for whom these financial tools are essential.
- 3.4.C) It will vote FOR any proposal to combat the use of financial tools for illicit purposes, both in Canada and internationally.
- 3.4.D) It will OPPOSE any financial contribution to a political party, but if such contributions are made, it will be FAVORABLE to any proposal requesting their disclosure, regardless of the country where this contribution is made. It will also vote FOR any proposal calling for the disclosure of contributions or payments made to organizations whose main activities are lobbying.
- 3.4.E) It will vote FOR any proposal aimed at prohibiting or countering the use of corruption in any country whatsoever.

### 3.5 Data Security and Privacy

#### *Guiding principle*

##### 3.5.1

Data security is an imperative for all companies. This is one of the critical skills required on most boards of directors.

#### *Position*

- 3.5.A) DGAM will SUPPORT requests for the publication of reports on confidentiality, data security, data protection and/or cybersecurity, as well as requests for the establishment of reasonable policies on these issues.



## POLICY ON THE EXERCISE OF PROXY VOTING RIGHTS

### V. RESPONSIBILITIES, APPLICATION AND REVIEW

#### **Review**

DGAM is responsible for implementing and reviewing the Policy on the Exercise of Proxy Voting Rights. It must be reviewed at least every 3 years.

#### **Disclosure**

DGAM must make available on the Internet, no later than August 31 of each year, for the 12-month period ending the previous June 30, the results of the exercise of voting rights for Desjardins ETFs. The following information is provided on the site for each proposal:

- The name of the company
- The ticker of the securities
- The CUSIP number of the securities
- The date of the meeting
- A summary of the question(s) put to the vote
- The identity of the proposer (company, management of the company or other person)
- Whether or not Desjardins ETFs voted on each of these questions
- How Desjardins ETFs voted, if applicable
- Whether the Desjardins ETFs voted for or against the recommendation made by the company's management

### VI. DELEGATION

N/A

### VII. EFFECTIVE DATE

This Policy comes into effect on the date it is adopted by the DGAM board of directors.

### VIII. APPENDIX

No Appendix.

**Desjardins Global Asset Management Inc.**

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