



ANNUAL INFORMATION FORM

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

Year ended December 31, 2020

March 11, 2021

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AIF: Annual Information Form of the Federation for the fiscal year ended December 31, 2020
AR: Annual Report of the Federation for the fiscal year ended December 31, 2020

INFORMATION INCORPORATED BY REFERENCE

Certain information contained in this Annual Information Form has been taken from the Annual Report of the *Fédération des caisses Desjardins du Québec* (Federation) for the fiscal year ended December 31, 2020 (Annual Report) and has been incorporated by reference in this Annual Information Form as indicated in the table of contents. The Annual Report of the Federation is available on the SEDAR website at www.sedar.com.

Unless otherwise indicated or if the context otherwise requires, the expression “Federation” refers to the *Fédération des caisses Desjardins du Québec* and its direct and indirect subsidiaries, its predecessor entities or its other constituent entities or the other entities controlled by it.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

The Federation’s public communications often include oral or written forward-looking statements, within the meaning of applicable securities legislation, particularly in Quebec, Canada and the United States. Such forward-looking statements are contained in this Annual Information Form and may be incorporated in other filings with Canadian regulators or in any other communications. The forward-looking statements include, but are not limited to, comments about the Federation’s objectives regarding financial performance, priorities, operations, the review of economic conditions and financial markets, as well as the outlook for the Quebec, Canadian, U.S. and global economies, and the possible impact of the COVID-19 pandemic on its operations, results and financial position, as well as on economic conditions and financial market. Such forward-looking statements are typically identified by words or phrases such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “forecast”, “aim” and “may”, words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the assumptions made may be incorrect, or that the predictions, forecasts or other forward-looking statements as well as the Federation’s objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Furthermore, the uncertainty created by the COVID-19 pandemic has greatly increased this risk by adding to the difficulty of making assumptions, predictions, forecasts or other forward-looking statements compared with previous periods.

The Federation cautions readers against placing undue reliance on forward-looking statements since a number of factors, many of which are beyond the Federation’s control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements in this Annual Information Form. These factors include those discussed in Section 4.0, “Risk management” and under “Covid-19 pandemic” in Section 1.3, “Significant events” of the 2020 Annual Report of the Federation, and include in particular credit, market, liquidity, operational, insurance, strategic and reputation risk, as well as the risk related to pension plans, environmental or social risk, and legal and regulatory risk.

Additional factors that may affect the accuracy of the forward-looking statements in this Annual Information Form also include factors related to the Covid-19 pandemic, climate change, government, corporate and household indebtedness, technological advancement and regulatory developments, interest rate fluctuations and geopolitical uncertainty. Furthermore, there are factors related to general economic and business conditions in regions in which the Federation operates; security breaches; monetary policies; the critical accounting estimates and accounting standards applied by the Federation; new products and services to maintain or increase the Federation’s market share; geographic concentration; acquisitions and joint arrangements; and credit ratings. Other factors include amendments to tax laws, unexpected changes in consumer spending and saving habits, talent recruitment and retention for key positions, the ability to implement the Federation’s disaster recovery plan within a reasonable time, the potential impact on operations of international conflicts, health crises, such as pandemics and epidemics, or any other similar disease affecting the local, national or global economy and the Federation’s ability to anticipate and manage the risks associated with these factors properly despite a disciplined risk management

environment. Additional information about these factors is found in Section 4.0, "Risk management" and under "Covid-19 Pandemic" in Section 1.3 "Significant Events" of the 2020 Annual Report of the Federation.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an adverse effect on the Federation's results. Additional information about these and other factors is found in Section 4.0, "Risk management" of the 2020 Annual Report of the Federation.

Although the Federation believes that the expectations expressed in these forward-looking statements are reasonable and founded on valid bases, it cannot guarantee that these expectations will materialize or prove to be correct. The Federation cautions readers against placing undue reliance on forward-looking statements when making decisions, given that actual results, conditions, actions or future events could differ significantly from the targets, expectations, estimates or intentions advanced in them, explicitly or implicitly. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

The significant economic assumptions underlying the forward-looking statements in this Annual Information Form are described in Section 1.5, "Economic environment and outlook" of the 2020 Annual Report of the Federation. To develop our economic growth forecasts, in general and for the financial services sector, we mainly use historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and identified upside and downside risks for the domestic and global economies. Given the evolution of the COVID-19 pandemic and its impact on the global economy and financial market conditions, as well as on the business operations, financial results and financial position of the Federation, a large share of uncertainty is associated with our economic assumptions compared with previous periods, since these assumptions are made based on uncertain future developments and considering the difficulty of predicting the extent of the pandemic's long-term effects.

Any forward-looking statements contained in this Annual Information Form represent the views of management only as at the date hereof, and are presented for the purpose of assisting readers in understanding and interpreting the Federation's balance sheet as at the dates indicated or its results for the periods then ended, as well as its strategic priorities and objectives as considered as at the date hereof. These statements may not be appropriate for other purposes. The Federation does not undertake to update any oral or written forward-looking statements that could be made from time to time by or on behalf of the Federation, except as required under applicable securities legislation.

BUSINESS STRUCTURE

NAME, ADDRESS AND INCORPORATION

The *Fédération des caisses Desjardins du Québec* is a cooperative resulting from the amalgamation with the *Caisse Centrale Desjardins* (Caisse Centrale) by absorption thereof on January 1, 2017 (the Amalgamation) pursuant to the *Act respecting financial services cooperatives*, R.S.Q., c. C-67.3 (AFSC) and the *Act respecting the Mouvement Desjardins* S.Q. 2000, c. 77 (repealed and replaced in 2018 by new AFSC provisions). The head office of the Federation is located at 100 Des Commandeurs Street, Lévis, Quebec G6V 7N5.

The Mouvement des caisses Desjardins (Desjardins Group or Desjardins) comprises the Desjardins caisses in Quebec and the Caisse Desjardins Ontario Credit Union Inc. (CDO), the Federation and its subsidiaries, and the *Fonds de sécurité Desjardins* (FSD). Pursuant to the AFSC, the Federation namely has the mission to manage Desjardins Group's risks and ensure the financial health and sustainability of the *Groupe coopératif Desjardins* (the Cooperative Group). The Cooperative Group is made up of Desjardins caisses in Quebec, the Federation and the FSD.

The structure of Desjardins Group is determined based on the needs of members and clients, as well as the markets in which Desjardins Group operates. Accordingly, the caisse network in Quebec and the CDO can leverage three key business segments — Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance — to enhance its ability to develop its products and services. The various teams work together as part of an integrated cooperative financial group. CDO is the product of the merger of the *Fédération des caisses populaires de l'Ontario Inc.* and its eleven member caisses populaires on January 1, 2020.

Furthermore, to ensure consistency among Desjardins Group's key business segments, certain functions affect all the activities of the Federation, its subsidiaries and the components of Desjardins Group. These functions consist primarily of Finance, Treasury and Administration, Risk Management, Information Technology, Human Resources and Communications, Marketing and the Security Office. The Federation also carries out the roles of treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system.

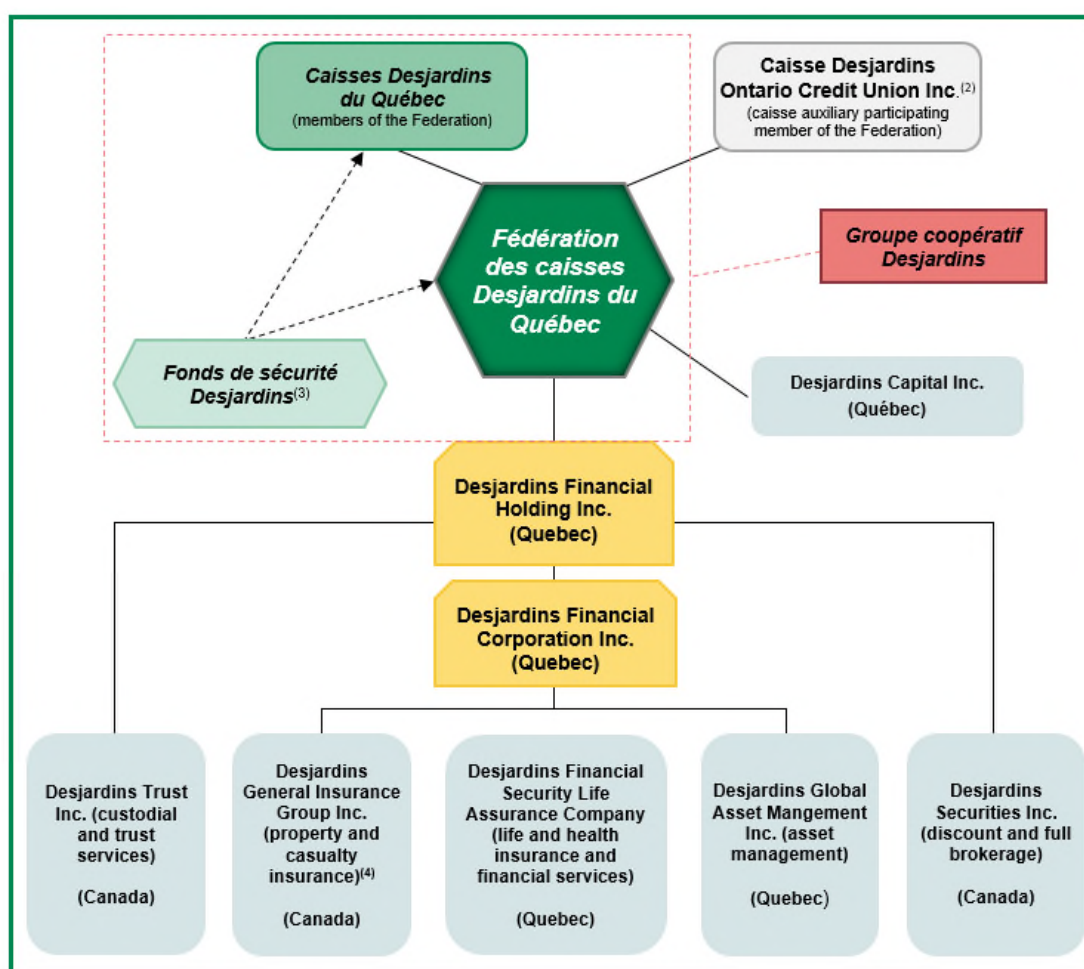
The subsidiaries of the Federation include:

- Desjardins Capital Inc., which issues securities on financial markets and invests the proceeds therefrom in securities issued by Desjardins caisses;
- Collabria Financial Services Inc., which is a credit card and payment solutions issuer;
- Desjardins Investment Management Inc. (which acts as portfolio and investment fund manager);
- Desjardins Financial Holding Inc., which is notably the parent company of:
 - o Desjardins Trust Inc., which is active in asset custody and trust services;
 - o Desjardins Technology Group Inc., which is responsible for the development, maintenance and migration of Desjardins Group technology systems and applications;
 - o Desjardins Securities Inc., which offers securities brokerage products and services;
 - o 9420-7404 Québec inc., which is active in the real estate services sector and operates mainly two brands, DuProprio and Purplebricks Canada;
 - o Desjardins Financial Corporation Inc. which is the parent company of:
 - Desjardins Global Asset Management Inc., a group of investment experts that mainly manages the assets from insurance subsidiaries and items whose management is entrusted to it by other subsidiaries of Desjardins Group;
 - Desjardins General Insurance Group Inc., which offers property and casualty insurance products; and
 - Desjardins Financial Security Life Assurance Company, which offers life and health insurance products and financial services.

The Federation also manages various funds in accordance with the provisions of the By-laws of the Federation.

The following organizational chart presents a simplified view of the legal structure of Desjardins Group as at the date of this Annual Information Form and shows the relationships between the Federation and the main components of Desjardins Group, including its direct and indirect subsidiaries, which, except as indicated below, are all wholly owned (100%), and their respective jurisdiction of incorporation. The subsidiaries that have been omitted represent individually no more than 10% of the consolidated assets and no more than 10% of the consolidated revenues of the Federation or, collectively, no more than 20% of the total consolidated assets and consolidated revenues of the Federation as at fiscal year-end.

Simplified organization chart of Desjardins Group's legal structure⁽¹⁾



- (1) Desjardins Group and the Cooperative Group are not legal entities but are a financial group and a cooperative group, respectively, within the meaning of the AFSC.
- (2) CDO is the product of the merger of the *Fédération des caisses populaires de l'Ontario Inc.* and its eleven member caisses populaires on January 1, 2020.
- (3) The FSD is a legal person governed by the AFSC. It is controlled by the Federation and is part of the Cooperative Group. By virtue of the powers conferred on it by the AFSC, the mission of the FSD is to ensure that the distribution of capital and other assets between the legal persons belonging to the Cooperative Group allows each of those legal persons to perform its obligations to its depositors and other creditors in full, correctly and without delay. For details, see the Sub-Section entitled "*Fonds de sécurité Desjardins*" in this Annual Information Form.
- (4) This entity is 90% owned by Desjardins Financial Corporation Inc. and 10% owned by *Groupe des Assurances du Crédit Mutuel SA* (France) as at the date of this Annual Information Form. In addition, Desjardins Financial Corporation Inc., *Groupe des Assurances du Crédit Mutuel SA* (France) and State Farm Mutual Automobile Insurance Company (United States) hold non-voting preferred shares series 1 issued by this entity as at the date of this Annual Information Form.

MEMBERS AND AUXILIARY MEMBERS

Apart from auxiliary members, only Quebec Desjardins caisses are members of the Federation. As a member of the Federation, each Quebec Desjardins caisse is entitled to receive notice of and be represented at the general meeting of the Federation by one or more delegates, based on the number of members of the caisse. Each delegate is entitled to one vote. The number of votes to which a delegate's vote is entitled is based on the number of members in his or her caisse. In addition, representatives of Quebec Desjardins caisses may be elected to office within the various bodies of the Federation and certain subsidiaries.

The Federation has several classes of auxiliary members, which are established by by-laws. Any service user, other than a Quebec caisse, may be admitted as an auxiliary member of the Federation. In principle, the rights of the auxiliary members of the Federation are more limited than those of the Quebec caisses. With the exception of participating auxiliary members, the auxiliary members of the Federation are not entitled to vote and their representatives are not eligible to hold office. Certain classes of auxiliary members are entitled to attend the general meeting as observers, but may not participate in the discussions. However, these auxiliary members may speak at the general meeting during question periods. Certain auxiliary members have access to services, which the Federation agrees to provide. With the exception of participating auxiliary members, auxiliary members of the Federation have no other right to and may not participate in any allocation of surplus earnings, unless it is decided otherwise at the general meeting of the Federation.

The Federation created two classes of participating auxiliary members: "Federation participating auxiliary members" and "caisse participating auxiliary members". Any cooperative established outside Quebec whose mission is similar to the Federation's may be admitted as a "Federation participating auxiliary member". Any cooperative affiliated with a "Federation participating auxiliary member" whose mission is similar to that of a financial service cooperative may be admitted as a "caisse participating auxiliary member". This requirement does not apply to CDO in accordance with the By-laws of the *Groupe coopératif Desjardins*.

A "Federation participating auxiliary member" must undertake to the Federation to implement all necessary actions for its affiliated caisses to enjoy the same rights and comply with the same obligations as Quebec caisses, subject to its incorporating Act and the laws and regulations applicable to it outside Quebec and any specific agreements between the member and the Federation. Until December 31, 2019, the *Fédération des caisses populaires de l'Ontario Inc.* and its member caisses were respectively a "Federation participating auxiliary member" and "caisse participating auxiliary members". CDO, an entity resulting from the merger, which took effect on January 1, 2020, of the *Fédération des caisses populaires de l'Ontario Inc.* and its eleven member caisses populaires, has retained its status as a "caisse participating auxiliary member", but with specific conditions set out in the by-laws of the *Groupe coopératif Desjardins*.

The members of the Quebec caisses are persons and partnerships that meet the conditions for membership prescribed in the AFSC and the caisse's by-laws, in particular the conditions relating to the common characteristic set forth in caisse articles or the AFSC, which, for group caisses, must be determined on the basis of occupation, on the basis of employment status with the same employer or with an employer belonging to a group of employers who are related to each other or who carry on their activities in the same economic sector, or on the basis of other criteria recognized by the Federation. As for any other caisse, which is a member of the Federation, the common characteristic of its members is to be resident of, to be domiciled in or to work in Quebec.

The caisses by-laws establish three classes of auxiliary members: (i) minors who open school caisse accounts; (ii) other minors, groups of persons or persons who do not meet the conditions relating to the common characteristic set forth in the AFSC or in caisse articles (except, in the latter case, for natural persons who are re-admitted as full members); and (iii) persons who do not meet the conditions relating to the common characteristic of the caisse, whose indebtedness to a third party is assigned to or acquired by the caisse.

INVESTMENT FUNDS

The Federation is the registered holder of the securities of its subsidiaries and other Desjardins Group components under its control. Investment funds have been set up for one or more of these subsidiaries, in accordance with the AFSC and the provisions of By-laws of the Federation concerning investment funds. The assets of these investment funds consist primarily of the equity interests in the subsidiaries and other Desjardins Group components controlled by the Federation. The capital shares in relation to the various investment funds are issued to each of the Quebec caisses and, for some investment funds, they are also issued to the CDO. Such capital shares entitle the holder to a share in the net assets of the related investment fund, and the holders, namely the caisses, share the net revenue (such as dividends received from subsidiaries and interest earned on various investments of the investment fund) in accordance with the Federation's By-laws.

These capital shares have no par value and are non-interest bearing. If the Federation disposes of investment fund assets, in whole or in part, or in the event of their repurchase or repayment to the Federation, in whole or in part, the holders of the capital shares in relation to the investment funds may receive, save and except any other class of shares, but based on the number of investment fund capital shares outstanding, their proportionate share of the price or net proceeds of disposition, repurchase or repayment of the investment fund assets received by the Federation, net of applicable disbursements, costs or expenses charged by the Federation, if any.

In the event of liquidation, insolvency, dissolution or winding-up of the Federation, in accordance with applicable law, the holders of the capital shares in relation to the various investment funds, will share in the remaining assets, after the holders of investment shares, if any, rateably and without preference or distinction with respect to the holders of capital shares in relation to an investment fund, but in priority to holders of any other class of shares, proportionately, according to the book value of the outstanding capital shares in relation to the relevant investment fund in comparison to the aggregate book value of all of the capital shares in relation to investment funds, up to the net value of the relevant investment fund. Holders of capital shares in relation to an investment fund are not entitled to any other share in the property of the Federation.

The same principles would apply in the event of the liquidation, dissolution or winding-up, in whole or in part, of the legal persons whose securities make up the assets of these investment funds.

GENERAL DEVELOPMENT OF THE BUSINESS

COVID 19 PANDEMIC

On March 11, 2020, the World Health Organization declared a COVID-19 pandemic, and on March 13, 2020, the Quebec government declared a public health emergency throughout Quebec. Since this date, the declaration of a public health emergency has been successively extended. The Canadian government introduced various protection measures during 2020. Since March 2020, the governments of affected regions have implemented measures designed to contain the spread of the virus, including business shutdowns, travel restrictions, quarantines, prohibition of gatherings, event cancellations and the imposing of a curfew. Following recommendations by government authorities concerning the spread of COVID-19, Desjardins Group implemented a number of protection and relief measures as of March.

In May 2020, Quebec and Ontario as well as the rest of Canada gradually started to ease restrictions, and the various stores and businesses were given permission to reopen to the public under certain conditions and in compliance with public health directives regarding physical distancing and hygiene measures. On October 1, 2020, a strong surge in the number of people testing positive for COVID-19 led the different governments to reintroduce some of the restrictions that had previously been lifted. These new measures, varying in strictness from one province to another as well as from one region to another, are namely intended to limit gatherings and activities of non-priority businesses. In Quebec, for example, the government has made working from home mandatory for all workers, except those whose physical presence is necessary to continue the organization's activities; ordered the closure of non-priority businesses until early February 2021, with certain easing for remote sales; and imposed a curfew between

8 p.m. and 5 a.m. in certain regions since the beginning of January 2021. Desjardins continues to make the health and safety of its members and employees its top priority, and to favour online or remote service delivery. In December 2020, more than 80% of employees were working from home. Desjardins is closely monitoring the situation and continues to adjust to ensure service continuity during the COVID-19 pandemic.

Virtual special general meetings

In March 2020, in the context of COVID-19 and to comply with social distancing measures to limit the spread of the virus, Desjardins Group announced that it would postpone the caisse general meetings, usually held in April, which as a result delayed the payment of member dividends, for which a vote by members is necessary. To allow members to vote for their dividend payment, Desjardins held special general meetings of the caisses in virtual mode in August and September 2020, during which caisse members voted for their dividend payment. Dividend payments ended in November 2020.

Main measures for the benefit of members and clients

Desjardins has deployed a number of measures to support its members and clients in the context of the COVID-19 pandemic. A number of relief measures have been in place since March 16, 2020 for personal and business members and clients who might experience difficulty meeting their financial obligations because of the current situation. The solutions available to personal members and clients include payment relief for all their financing products and offering credit to members and clients needing quick access to cash, such as loans of last resort of up to \$3,000 to personal members hit hard by COVID-19. In addition, Desjardins is temporarily granting an annual interest rate of 10.9% to personal members and clients who have Desjardins Visa and MasterCard credit cards and obtained a payment deferral on a Desjardins financing product. For business members and clients, needs are analyzed on a case-by-case basis, and special measures could be adopted to meet them, such as a temporary revision of financing conditions and refinancing of certain assets.

In addition, since the extended lockdown period and travel restrictions led to a significant reduction in auto insurance claims, Desjardins Group's property and casualty insurance subsidiaries have granted, in 2020, more than 2.1 million eligible personal and business insureds a refund of between 25% to 40% of the amount of their monthly auto insurance premium, based on the conditions in each market, for a total of \$155 million. In addition, an increase in the limit on insurance coverage was granted for people working from home.

Since the situation remains precarious for many, Desjardins announced in January 2021 that it would be maintaining the main relief measures. In particular, the members and personal clients most hard hit can continue to benefit from the deferral of payment on their Desjardins financing products and a low interest rate on Desjardins credit cards, in addition to receiving personalized support to regain good financial health.

The table below presents Desjardins members' and clients' use of the main relief measures as at December 31, 2020.

Products			
Financing	Number of requests	Total loan reliefs granted	Loan balance as at December 31, 2020
Residential mortgages and consumer loans	161,295	\$18.6 billion	\$1.8 billion
Credit card and other personal loans	147,000	\$1.5 billion	\$0.1 billion
Business loans	33,900	\$17.0 billion	\$1.7 billion
Insurance	Number	Value of refund	
Auto insurance premium refund	2,151,000	155 M\$	

In addition to these measures, Desjardins set up partnerships with the Quebec and Canadian governments in order to offer solutions to members and clients. Desjardins Group is participating in the following assistance programs in particular, which help to provide additional liquidity to finance operations or enhance working capital for businesses experiencing temporary difficulties on account of COVID-19.

- Canada Emergency Business Account (CEBA)

Under this program, implemented in collaboration with Export Development Canada (EDC), Desjardins Group provides loans interest-free until December 31, 2022 (and at a rate of 5% thereafter), funded by the federal government, to small businesses and not-for-profits to help them cover their operating expenses during a time when their revenue has been temporarily reduced. Loans granted under this program are derecognized from Desjardins Group's Combined Balance Sheets as the program meets the criteria for transfer of cash flows and of substantially all the risks and rewards of ownership of the loans to the government. Since October 26, 2020, eligibility was extended to allow businesses operating out of a personal banking account to take advantage of the program under the conditions established by the government. When the program was implemented, loans granted by Desjardins Group were \$40,000. Since December 4, 2020, following an expansion of the program by the government, Desjardins Group has granted loans of \$60,000 to members and clients who apply for them, who are eligible, and who have not previously benefited from the program or additional loans of \$20,000, to members and clients who initially received a loan of \$40,000 \$. As at December 31, 2020, approximately 120,300 loans totaling \$4.1 billion had been granted to Desjardins Group members and clients since the beginning of the CEBA program. As at December 31, 2020, the outstanding amount is \$3.6 billion. Members and clients can use this program until March 31, 2021.

- Business Development Bank of Canada (BDC) Co-Lending Program

Under this program, set up through the Business Credit Availability Program (BCAP), Desjardins Group grants term loans for which the maximum amount is calculated based on sales, with conditions tailored to the business' needs. BDC and Desjardins Group entered into a joint facility under which BDC automatically acquires an 80% participation in term loans granted to eligible clients of Desjardins Group. The maximum loan amount is \$6.25 million (\$18.75 million per borrower group) and a moratorium on principal payments of up to 12 months is permitted. The participation in loans funded by BDC is derecognized from Desjardins Group's Combined Balance Sheets as the program meets the criteria for transfer of substantially all the risks and rewards of ownership of the loans to the government. As at December 31, 2020, 166 loans totaling \$105 million had been granted to Desjardins Group members and clients since the start of the joint loan program. Members and clients can use this program until June 30, 2021.

- BDC mid-market financing program

Under this program, commercial loans of \$12.5 million to \$60 million are granted to medium-sized companies (annual revenue in excess of \$100 million) that have been particularly impacted by the COVID-19 pandemic and whose credit requirements exceed what is already available under the BCAP and other measures. The loans will be granted by the BDC (90%), in close collaboration with the business' senior lender or lending syndicate (10%), to cover operational liquidity needs and support business continuity. Interest will be capitalized for the first 12 months and no principal payments are required until the 48-month maturity. No loans have been granted by Desjardins since the program was launched in July 2020. Members and clients can use this program until June 30, 2021.

- BDC Highly Affected Sectors Credit Availability Program (HASCAP)

Under the HASCAP, BDC offers a guarantee of 100% of the financial institution's residual loss for term loans to businesses in sectors that are very affected by the pandemic. These loans range from \$25,000 to \$1 million (up to a maximum amount of \$6.25 million for a company operating several business sites as defined in the program). The applicable rate is mandatory at 4% (including a 1% guarantee fee payable to BDC), an initial capital moratorium is allowed and the loan cannot be amortized more than 10 years. This program was implemented mid-February 2021. Members and clients can use this program until June 30, 2021.

- Loan guarantees for small- and medium-sized enterprises (EDC)

Under the BCAP, EDC also offers a guarantee of up to 80% of the financial institution's residual loss for new operating lines of credit and new term loans of up to \$6.25 million for small and medium-sized enterprises (SMEs). Desjardins favours granting term loans, with a moratorium on principal of up to 12 months and a maximum amortization of 60 months. Guarantee fees are payable by the borrower to EDC. As at December 31, 2020, 138 loans totalling \$85 million had been granted to Desjardins Group's members and clients since the beginning of this program. Members and clients can use this program until June 30, 2021.

- Mid-market guarantee program (EDC)

Under the BCAP, EDC also offers a guarantee of up to 75% of the residual loss of the lender or lending syndicate for new operating lines of credit and new term loans of between CA\$12.5 million (US\$8.75 million) and CA\$80 million (US\$56 million) for medium-sized businesses (annual revenue of between \$50 million and \$300 million). This program is intended for medium-sized businesses and large corporations with financing at the Federation. No loans have been granted by Desjardins since the program was launched. Members and clients can use this program until June 30, 2021.

- Concerted temporary action program for businesses (PACTE) with Investissement Québec

Investissement Québec (IQ) offers a guarantee of up to 70% of the financial institution's residual loss for new operating lines of credit and new term loans (minimum \$71,500) for funding needs over a period of up to 12 months, for businesses operating in Quebec, including cooperatives and other social economy enterprises with commercial operations. Desjardins favours granting term loans, with a moratorium on principal of up to 12 months and a recommended amortization of 36 months, but a possible maximum of 60 months. Guarantee fees are payable by the borrower to IQ. In addition, IQ offers a similar guarantee for eligible tourist establishments and attractions of up to 90% of the financial institution's residual net loss for new operating lines of credit and new term loans (no minimum or maximum) for funding requirements limited to a maximum period of 18 months, with a moratorium on principal and/or interest for up to 24 months. As at December 31, 2020, 195 loans totalling \$73 million had been granted to Desjardins Group's members and clients since the beginning of the PACTE program.

Capital and liquidity measures

In view of the COVID-19 pandemic, the AMF introduced a series of measures to support Quebec's financial system, including adjustments to capital requirements related to the COVID-19 pandemic, regulatory and administrative relief in respect of certain provisions of the *Deposit Institutions and Deposit Protection Act*, and additional information regarding the consultation and supervisory processes. For details on the measures put in place by Desjardins Group in this regard, please see Section 3.2 "Capital management" of the 2020 Annual Report of the Federation.

In addition, the Canadian government set up programs for extraordinary liquidity facilities to facilitate access to funding for financial institutions. Additional information on the federal government programs used by Desjardins Group may be found under "Sources of funding" in Section 4.2 "Risk management" of the 2020 Annual Report of the Federation.

These additional funding sources allow Desjardins Group, including the Federation, to maintain adequate liquidity levels to deal with impacts related to the pandemic. Furthermore, Desjardins Group complies with Basel III rules and maintains very good capitalization. As at December 31, 2020, the Federation's Tier 1A and total capital ratios were 21.9% and 22.6%, respectively, compared to 21.6% as at December 31, 2019.

Social measures and reopening of the economy

We should remember that as of March 2020, Desjardins Group had announced a number of hygiene and protection measures to help limit the spread of COVID-19 and its effects. These included in particular

reducing the number of service outlets open to members and clients, increasing the contactless payment limit for credit and debit cards at Desjardins payment terminals, reducing physical access hours at Desjardins caisses, introducing assistance measures for young clients (psychological and legal telephone assistance), improving support for members aged 70 and over, making donations to community organizations meeting basic needs and donating protective masks to the Quebec government. In January 2021, Desjardins announced that the Desjardins Foundation will offer scholarships in 2021 for career reorientation and returning to school due to COVID-19, a new category of scholarships that is in addition to those already in place to highlight academic perseverance and community involvement, for a total amount of \$2 million.

By the end of December 2020, almost 590 service centres in Quebec and Ontario were opened to properly serve members and clients while complying with public health measures to limit the spread of COVID-19.

While Canada is experiencing a second wave of COVID-19, Desjardins continues to promote remote service delivery and recommends virtual meetings with members and clients. Where this is not possible, Desjardins has implemented hygiene rules and physical distancing while following the guidelines for wearing a facemask in enclosed public spaces. Members and clients continue to have access to Desjardins ATMs, telephone services as well as its AccèsD Internet, telephone and mobile services. In addition to workplace hygiene and protection rules, Desjardins has introduced maintenance, cleaning and disinfection measures as well as certain access restrictions to limit movement at its corporate sites.

As at December 31, more than 40,000 employees were still working from home. Those who continue to travel physically to the workplace are those who work in service outlets, but also those for whom their function, nature of the tasks, equipment used or business continuity requirements do not permit remote work. A rigorous procedure and preventive measures make it possible to manage the number of people on the sites and ensure a safe work environment. It should be noted that information security rules in a working from home context are the same as when employees are physically in the workplace and that they remain subject to the various codes of conduct and ethics.

To contribute to the reopening of the Quebec and Ontario economies, Desjardins has put forward a number of initiatives to encourage innovation and entrepreneurship and thereby help out businesses and community organizations. These initiatives include, in particular, the creation of the \$150 million GoodSpark Fund and the \$10 million Momentum Fund, as well as a partnership with Google and Bonjour Startup Montréal to hold an innovation competition.

- GoodSpark Fund

The GoodSpark Fund has an additional \$150 million, bringing the total to \$250 million for initiatives extending into 2024, in particular to provide social and economic support to the regions in order to back projects that support community priorities, such as education, the environment, employment and entrepreneurship. For fiscal 2020, commitments of \$42 million for 124 initiatives were made in connection with the GoodSpark Fund. Since 2017, Desjardins Group has entered into commitments totaling \$123 million for 530 projects.

- Momentum Fund

The Momentum Fund's aim is to help local businesses accelerate growth and create quality jobs—two key drivers in regional economic development. Over the next two years, its \$10 million budget will provide funding equal to 25% of project costs, up to a maximum of \$10,000. Businesses can apply under a wide range of categories, including digital transformation, ergonomics and social distancing, psychological support, business model transformation, innovation, business succession, international market development, and investment in talent and energy-efficient equipment. For fiscal 2020, 570 businesses were supported by Momentum Fund for a total disbursement of \$3.5 million.

- The < Post > COVID Challenge

Close to 400 contestants have submitted projects under the < Post > COVID Challenge, a virtual competition extended over four weeks and whose mission is to find innovative solutions to societal issues resulting from COVID-19 in Quebec. Organized by Bonjour Startup Montréal, Desjardins (through Coopérathon) and Google Canada, in cooperation with a number of other stakeholders in the startup ecosystem, the < Post > COVID Challenge has selected three promising challenges, submitted by individuals and startups. These winning projects will continue to be developed with support from experienced entrepreneurs and experts from multiple domains. As a prerequisite, each project must address a real need in a sector that has been particularly affected by the crisis, i.e. health care, education or employment. A winning project has been selected for each sector.

Impact of the pandemic

As mentioned in Section 1.5 “Economic environment and outlook” of the 2020 Annual Report of the Federation, the spread of the COVID-19 has had a disruptive impact on the countries and Canadian provinces where the Federation operates, and on the global economy in general, while triggering higher volatility and a decline on financial markets. Should the COVID-19 pandemic be prolonged or should subsequent waves of the pandemic occur, or should other diseases appear with similar effects, the adverse impact on the global economy could be exacerbated and lead to even sharper declines on capital markets. The Federation’s operations largely consist of granting loans or providing financial services and insurance products to governments, public and parapublic institutions, individuals and medium-sized businesses and large corporations. The impact of the COVID-19 pandemic on such borrowers and clients could have a significant negative impact on the Federation’s financial results, operations, financial position or liquidities. The COVID-19 pandemic could also lead to disruptions among the Federation’s main suppliers of goods and services and result in the increased unavailability of personnel, which would have a material adverse impact on the quality and continuity of customer services and on the Federation’s reputation. Consequently, the impact of the COVID-19 pandemic could have a negative effect on the Federation’s operations, operating results, profitability, reputation and financial position for an undetermined, considerable period of time. The Federation is continuing to monitor developments in the COVID-19 pandemic and the potential detrimental effects on its operations. The pandemic’s repercussions on the economy, markets and our activities and financial position depend on highly uncertain future developments that are difficult to foresee given the uncertainty about the magnitude, gravity and duration of the pandemic, the size of the current second wave in Quebec and the rest of Canada, as well as the possibility of subsequent waves that could prolong the closure of certain sectors of the economy, or result in additional closures or a tightening of confinement measures by government authorities.

The COVID-19 pandemic has led to, or could lead to, an increase in some of the risks described in Section 4.0 “Risk management” of the 2020 Annual Report of the Federation, including credit, market and liquidity risks, operational risk and insurance risk. We could also be faced with an increased risk of litigation with our members and clients, and of regulatory and government supervision because of the effects of the COVID-19 pandemic on market and economic conditions, and the measures taken by government authorities to counter them. The COVID-19 pandemic and its associated risks are the main situation being monitored by Desjardins Group. Desjardins Group is closely following developments in these risks to ensure the sustainability of its operations in a crisis. For details about the impact of the pandemic on risks, see the Section 4.0 “Risk management” of the 2020 Annual Report of the Federation.

On March 2, 2020, Desjardins Group released its financial objectives and outlook for 2020 in its Annual Management’s Discussion & Analysis (Annual MD&A) for the year ended December 31, 2019, which did not take into account the potential impact of the disruptions related to the COVID-19 pandemic. Given the risk and uncertainty created by COVID-19 for the local, national and global economy, as well as for its members and clients and its operations, Desjardins Group withdrew its financial objectives and outlook for 2020 published in Section 1.4 “Strategic orientations and financial objectives” of its 2019 Annual MD&A. For details on the results obtained in 2020 and a presentation of the key indicators for 2021, see Section 1.4 “Strategic orientations and financial objectives” of the Desjardins Group 2020 Annual MD&A.

The Federation's financial results for fiscal 2020 were marked by the COVID-19 pandemic. The significant deterioration in the economic outlook and the anticipated impact on credit quality resulted in an increase in the provision for credit losses of \$229 million. In addition, the increase in the current and expected volumes of travel cancellation claims resulted in a \$43-million increase in travel insurance benefits. Refunds of \$155 million on auto insurance premiums granted to members and clients in the second quarter as a relief measure to support them during this pandemic period were offset by lower auto insurance claims for the current year as a result of changes in driving habits attributable to the COVID-19 pandemic.

FISCAL 2020

On February 1, 2020, the Federation acquired a portfolio of quality home mortgages from La Capitale, for a total consideration of \$474 million. This acquisition consolidated Desjardins Group's leadership position in Quebec's residential mortgage market.

As announced on October 31, 2019, the Federation has been gradually phasing out in-store Accord D financing since May 1, 2020. These activities were presented in the Personal and Business Services segment.

On July 15, 2020, the Federation, through 9420-7404 Québec inc., acquired the Canadian real estate business of Purplebricks Group plc for a total amount of \$62 million. 9420-7404 Québec inc mainly operates two brands, DuProprio and Purplebricks Canada. The acquired businesses have more than 500 employees, with over 300 in Quebec and some 200 across Ontario, Manitoba and Alberta.

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of \$2.5 billion for the fiscal year. During the same period, the Federation launched a new issue in the amount of US\$1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program. On May 26, 2020, the Federation issued \$1.0 billion in non-viability contingent capital (NVCC) eligible notes under its Canadian NVCC subordinated notes program. In addition, on September 24, 2020, the Federation completed an issue under its legislative covered bond program for 500 million euros. On October 7, 2020, the Federation completed an issue under its legislative covered bond program for US\$750 million. Lastly, on January 21, 2021, the Federation completed a new issue of \$1.0 billion, which is subject to the bail-in regime, under its Canadian medium-term note program.

In the context of the COVID-19 pandemic, the Canadian government, through the Bank of Canada and CMHC, deployed a number of financing initiatives aimed at supporting the Canadian financial system by preserving a source of business financing. Like the Canadian banks, Desjardins Group used these programs for \$10.6 billion as at December 31, 2020. These additional sources of funding allow Desjardins Group to maintain adequate levels of liquidity to address the impacts of this pandemic.

Among other things, under the *Insured Mortgage Purchase Program* (IMPP) implemented by CMHC, the Federation sold NHA mortgage-backed securities for \$0.5 billion to CMHC. Under this program, the Government of Canada may purchase up to \$150 billion of NHA-insured mortgage pools from financial institutions through CMHC. Furthermore, on March 30, 2020, the Federation launched an issue of own-name covered bonds (self-held) in the amount of \$2.5 billion, in order to participate in the Bank of Canada's Term Repos program. The total amount of these covered bonds was pledged as collateral to the Bank of Canada under the program on March 31, with settlement on April 2, 2020. On April 14, 2020, the Federation also issued own-name covered bonds (self-held) in the amount of \$1.5 billion, for purposes of participating in the Bank of Canada's Term Repos program. The total amount of these covered bonds was pledged as collateral to the Bank of Canada under the said program on April 15 and 20, 2020.

On April 23, 2020, just like the Canadian banks, Desjardins Group also accessed the Standing Term Liquidity Facility that the Bank of Canada set up to support the liquidity of the financial system. Under the terms of this facility, eligible financial institutions can borrow from the Bank by giving as collateral a large pool of securities. As such, financial institutions are better able to finance new loans.

These initiatives are included in the Federation's total participation in the Bank of Canada's and CMHC's initiatives for \$10.6 billion.

Overall, these transactions made it possible to adequately meet the liquidity needs of Desjardins Group, to better diversify its sources of funding and to further extend the average term.

On December 17, 2020, the Board of Directors of the Federation approved the distribution to member caisses of net income in respect of Class G capital shares for an amount of \$41 million. In addition, on December 17, 2020, the Board of Directors approved the payment of interest on Class F capital shares in the amount of \$209 million to holders.

For fiscal 2020, the Federation reported surplus earnings before dividends to member caisses of \$1,012 million, a decrease of \$219 million, or 17.8%, compared to 2019. Surplus earnings⁽¹⁾ adjusted for specific items, namely the gain related to the sale of the entire portfolio of merchants receiving services from the Federation under the Monetico brand recognized in 2019 were up \$90 million, or 9.8%.

This result reflects the contribution of the Personal and Business Services segment, which totalled \$89 million, or 8.8% of surplus earning. Wealth Management and Life and Health Insurance and Property and Casualty Insurance segments contributed \$609 million and \$622 million respectively, representing 60.2% and 61.5% of surplus earnings. The activities grouped under Treasury and Other Support to Desjardins Group Entities had a \$308 million deficit, or (30.5)% of surplus earnings.

Personal Information Breach

On June 20, 2019, Desjardins Group announced that the personal information of 2.9 million members was shared with individuals outside the organization (the personal information breach). The ill-intentioned employee who caused the situation was quickly identified and then fired. Subsequently, on November 1, 2019, Desjardins Group announced that it had been informed by the *Sûreté du Québec* that the data of all its members were affected by the personal information breach. On December 10, 2019, the internal audits and analyses of Desjardins Group revealed that the former employee responsible for the breach also had access to the personal information of credit card holders and clients with in-store financing (current and former). In total, the former employee responsible for the information breach had access to the personal information of 9.7 million members and clients (current and former). However, to the knowledge of Desjardins Group, the personal information of 4.2 million current caisse members was sent outside the organization. There is no confirmation that the personal information of other members and clients has been sent outside the organization.

Desjardins Group was not the victim of a cyberattack and its computer systems were not affected in any way. Given the situation, additional measures have been implemented by Desjardins Group to protect the personal and financial information of all members and clients, including the Desjardins Identity Protection, offered at Desjardins' expense to all members and clients, as well as the Equifax credit monitoring service for current Desjardins members and clients and former members and clients holding credit cards or in-store financing.

As soon as the situation came to light in May 2019, Desjardins stepped up its efforts to create one of the most secure environments of any financial institutions. It also stepped up the pace of implementing personal information protection measures that were already underway, including:

- The Desjardins Group Security Office (DSO) was created in December 2019. The office brings together nearly 900 experts in cybersecurity, fraud prevention, personal information protection, anti-money laundering and financial crimes, from teams across four executive divisions. The mandate of the DSO is to keep implementing best practices to protect personal information and enhance information security.
- A Chief Data Officer was appointed to oversee information security, data security and data warehousing best practices.
- The work to review data retention timeframes was accelerated based on the applicable regulations.
- New custom data monitoring products were developed in partnership with local businesses.

⁽¹⁾ See the "Non-GAAP measures" section of the Management's Discussion and Analysis in the Annual Report of the Federation.

- The evolution of a restricted analysis environment that governs, limits and monitors data use and extraction.
- The data protection program was enhanced, including the implementation of *Data Loss Prevention*.
- Policies and guidelines regarding the security and use of confidential data were reviewed to reflect best practices.
- A security intelligence centre was created in early 2021. It provides fast and efficient protection for members and clients. It will focus primarily on prevention, detection and incident management. It will be integrated with the DSO and will bring together experts in cybersecurity, fraud prevention, personal information protection and anti-money laundering and financial crimes. It will take action whenever the synergy of specialists from at least two of these fields is required. Its implementation, in which artificial intelligence plays a central role, responds to the growing need to analyze data for the prevention and detection of security and financial crime events.

Further to Desjardins Group's declaration that there was a breach of personal information to the *Commission d'accès à l'information du Québec* (CAI) under the *Act respecting the protection of personal information in the private sector* (Quebec Privacy Act) and to the Office of the Privacy Commissioner of Canada (OPC) under the *Act respecting the protection of personal information and electronic documents* (Canada) (PIPEDA), the CAI and the OPC launched a joint investigation into Desjardins Group's personal information protection policies and procedures. Concurrently, the AMF heightened its monitoring of the Federation's compliance with the requirement of the *Act respecting financial services cooperatives* to apply sound and prudent management practices ensuring good governance in order to adequately manage the risks related to the privacy breach.

On June 9, 2020, Desjardins Group filed plans with the CAI, OPC and AMF to implement specific enhanced practices for sound and prudent management and governance practices as well as for the adequate management of risks relating to data security and the protection of personal information.

On December 14, 2020, the CAI released the results of its investigation in respect of the privacy breach in which it found that the Federation had contravened certain provisions of the Quebec Privacy Act by failing to take the necessary measures to ensure the protection and security of personal information of current and past members and clients or to take the necessary measures to limit or end the use of inactive files containing personal information. The CAI also issued an order requiring the Federation to submit a report to the CAI every 6 months on the progress of the plans until such plans are fully implemented by the end of 2021 and also on data retention measures which should be completed by June 2022, and to engage an independent audit firm approved by the CAI to evaluate all of the measures taken by Federation to ensure the protection of personal information of current and former members and clients by December 14, 2022. The OPC issued a report on the same day in which it found, with respect to the privacy breach, that the Federation had contravened analogous principles of PIPEDA and set out recommendations similar to the measures included in the CAI order. The AMF also issued an order on December 14, 2020 in which it found, with respect to the privacy breach, that the Federation had failed with regards to its obligation to apply sound and prudent management practices, in particular, sound governance and compliance with the laws governing its activities. The AMF also identified significant deficiencies in each of Desjardins Group's three lines of defense: operational management, oversight functions and internal audit. The AMF order namely requires the Federation to implement all of the measures set out in the plans within the timeframe set out in the plans and at the latest by June 30, 2022. The AMF order also requires the Federation to hire an independent expert, which will report directly to the AMF. The AMF will determine the scope of the expert's mandate, which will include supervising the governance and control mechanisms put in place and certifying that Desjardins Group meets the expectations set out in the AMF's guidelines and industry best practices. The AMF also stated that its order does not call into question the solvency of the Desjardins Group, including its capital adequacy, liquidity and profitability. Neither of the regulatory orders impose any penalties or sanctions on Desjardins Group.

It should also be noted that on December 14, 2020, following the reports and orders from regulatory authorities, the DBRS and Fitch rating agencies maintained their ratings on Desjardins Group instruments, while Moody's confirmed its ratings. To justify their actions, the agencies mentioned the importance of the resources Desjardins Group has dedicated to information security controls, fraud prevention and improved governance. Moreover, the assessment of Desjardins Group's ratings by the Standard & Poor's rating

agency remained unchanged. In addition, on January 13, 2021, Fitch confirmed the ratings for Desjardins Group instruments and increased its outlook from negative to stable. This change in perspective reflects the assessment that Fitch believes that Desjardins Group has strong assets, but also a strong presence in Quebec as a leader in the savings, residential mortgage, wealth management and insurance markets.

FISCAL 2019⁽¹⁾

In June 2019, Desjardins Group announced that the personal information of 2.7 million individual members and 173,000 business members was shared with individuals outside the organization. From the outset, Desjardins's priority was to protect its members and clients and identify the source of the breach. The credit ratings assigned by the ratings agencies DBRS, Fitch, Moody's and Standard & Poor's to Desjardins Group's senior securities remained unchanged following privacy breach announcements made by Desjardins in 2019. The expenses to cover the costs incurred and the provision for the implementation of Desjardins Identity Protection totalled \$108 million for the year ended December 31, 2019. For details on the privacy breach, see the Sub-Section "Fiscal 2020".

On December 3, 2019, Guy Cormier, President and Chief Executive Officer of Desjardins Group, announced important changes to the organization's structure. Denis Berthiaume, who held the position of Senior Executive Vice-President and Chief Operating Officer of Desjardins Group, was replaced by Réal Bellemare, formerly Executive Vice-President of Finance, Treasury, Administration and Chief Financial Officer. Mr. Bellemare also acted as interim Executive Vice-President of Information Technology following the departure of Chadi Habib. A recruitment process was underway to fill the position permanently⁽²⁾. Furthermore, Alain Leprohon was appointed Executive Vice-President of Finance, Treasury, Administration and Chief Financial Officer. Sylvain Perreault, previously Chief of the Desjardins Group Compliance Office, became responsible for the Desjardins Group Security Office.

On December 16, 2019, the Election Committee announced that as part of the election process for the presidency of Desjardins Group and following the end of the nomination period, Guy Cormier had been elected by acclamation for a second four-year term as the head of Desjardins Group. Mr. Cormier's second term of office will officially begin on March 28, 2020, following Desjardins Group's Annual General Meetings.

On December 31, 2019, the Federation completed the transfer to Global Payments of the entire portfolio of merchants receiving services from the Federation under the Monetico brand and finalized, as at January 1, 2020, a long-term partnership agreement with Global Payments, a company operating in the electronic payment sector. On October 31, 2019, the Federation announced it would gradually phase out in-store Accord D financing as of May 1, 2020. These activities were presented in the Personal and Business Services segment.

A \$309 million gain, net of income taxes, related to the sale of the merchant portfolio was recognized in the Consolidated Statements of Income for the year ended December 31, 2019.

In the year ended December 31, 2019, the Federation issued Class F Capital Shares for a cash consideration of \$105 million. The issuance began on January 15, 2019 and ended on July 23, 2019. Furthermore, the Federation did not issue any Class F Capital Shares for interest payments in 2019.

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of \$2.2 billion for the year. During the same period, it also completed three issues under its legislative covered bond program for 750 million euros, US\$1.0 billion and 500 million euros. In addition, the Federation launched two issues for \$430 million and \$1.1 billion under its Canadian medium-term note program, which, under their terms and conditions, are not subject to the recapitalization (bail-in) regime applicable to Desjardins Group. In addition, the Federation floated a new issue totalling \$1.0 billion, the first issue subject to the bail-in regime, under its Canadian medium-term note program. It should also be noted

⁽¹⁾ Data for 2019 have been reclassified to conform to the data of the current fiscal year.

⁽²⁾ Johanne Duhaime was named Executive Vice-President, Information Technology of Desjardins Group on October 5, 2020.

that on February 10, 2020, the Federation launched a new issue in the amount of US\$1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program.

On December 6, 2019, the Board of Directors of the Federation approved the distribution to member caisses of net income in respect of Class G and INV Capital Shares for \$60 million and \$1 million, respectively. In addition, on December 6, 2019, the Board of Directors approved the payment of interest on Class F capital shares in the amount of \$207 million to holders.

For 2019, the Federation reported surplus earnings before dividends to member caisses of \$1,231 million, a decrease of \$119 million, or 8.8%, compared to 2018. Surplus earnings⁽¹⁾ adjusted for specific items, namely the gain related to the sale of the entire portfolio of merchants receiving services from the Federation under the Monetico brand recognized in 2019 and the gain related to the transaction involving Qtrade Canada Inc. and the interest in Northwest & Ethical Investments L.P. recognized in 2018 were down \$299 million, or 24.5%.

This result reflects the contribution of the Personal and Business Services segment, which totalled to \$677 million, or 55.0% of surplus earning. Wealth Management and Life and Health Insurance and Property and Casualty Insurance segments contributed \$697 million and \$187 million respectively, representing 56.6% and 15.2% of surplus earnings. The activities grouped under Treasury and Other Support to Desjardins Group Entities had a \$330 million deficit, or (26.8)% of surplus earnings.

FISCAL 2018²

On April 1, 2018, Desjardins Group and a partnership formed by five provincial credit union centrals (the Centrals) and the CUMIS Group entered into an agreement to combine their investments in Financière Credential Inc., Qtrade Canada Inc. and Northwest & Ethical Investments L.P. This transaction led to the creation of Aviso Wealth, a wealth management company owned equally by Desjardins Group and the centrals and the CUMIS Group partnership.

On November 5, 2018, Zag Bank announced that it would gradually cease its activities. This decision was linked to Desjardins Group's desire, following a review of activities in Ontario and in the Atlantic and Western provinces, to focus in particular on the growth of its general insurance, wealth management and payment services activities. As such, a direct or online bank was no longer part of the long-term strategy of Desjardins Group.

On November 29, 2018, members from the 11 Ontario caisses populaires and delegates of the *Fédération des caisses populaires de l'Ontario Inc.* voted in favor of a merger of the Ontario caisses populaires during a special general meeting held in late November 2018. The CDO was officially constituted on January 1, 2020 and serves 130,000 members in 50 service centres, a Desjardins Business centre and a Desjardins Signature Service and has more than \$13.6 billion in assets under management.

During the year ended December 31, 2018, the Federation issued 12,433,692 Class F Capital Shares for a cash consideration of \$124 million, which represents the gross proceeds of this issuance, i.e. \$125 million, less the expenses of the issue of \$1 million. In addition, the Federation issued 14,208,755 Class F Capital Shares with a value of \$142 million as interest payments for when holders elected to receive compensation in Class F Capital Shares. On December 21, 2018, the Federation filed a new short form prospectus and obtained a receipt allowing it to issue Class F Capital Shares totalling up to \$125 million over the twelve months following the receipt date. Subscriptions for this new issuance began on January 15, 2019 and ended on July 23, 2019.

In addition, on November 13, 2018, the Federation's Board of Directors approved the distribution of net income from Class FIN-5A for an amount of \$ 1,847 million. In addition, on December 6, 2018, the Board

⁽¹⁾ See the "Non-GAAP measures" section of the Management's Discussion and Analysis in the Annual Report of the Federation.

⁽²⁾ Data for 2018 have been reclassified to conform to the data of the current fiscal year.

of Directors of the Federation approved the distribution to the member caisses of net income in respect of Class G and INV Capital Shares for amounts of \$60 million and \$26 million, respectively.

During the year ended December 31, 2018, the Federation repurchased for cancellation all of the FED-7 Capital Shares for a cash consideration of \$2 million. The Federation also redeemed 210 qualifying shares for a non-significant cash consideration.

In 2018, the Federation participated in new issues under the *National Housing Act Mortgage-Backed Securities Program*, with a total participation of \$2.4 billion. In addition, the Federation carried out during the same period a 750 million euros covered bond issue on the European market, and a 1 billion euros issue on the European market through its multi-currency medium-term notes program. In addition, the Federation made three issuances for a total amount of \$1.8 billion through its Canadian medium-term note program.

For fiscal 2018, the Federation recorded surplus earnings before dividends to member caisses of \$1,350 million, down \$66 million or 4.7% compared to the same period in 2017. Adjusted surplus earnings⁽¹⁾ of the specific components, i.e. the gain on the transaction involving Qtrade Canada Inc. and the interest held in Northwest & Ethical Investments L.P. recorded in 2018, as well as the net gain on the sale of Western Financial Group Inc. and Western Life Assurance Company recorded in 2017, increased by \$54 million, or 4.6%, to \$1,221 million.

This result reflects the contribution of the Personal and Business Services segment, which totalled \$329 million, or 24.4% of surplus earnings in 2018. The Wealth Management and Life and Health Insurance and General Insurance segments contributed \$866 million and \$173 million respectively, representing 64.1% and 12.8% of surplus earnings in 2018. The activities grouped under Treasury and Other Support to Desjardins Group entities had an \$18 million deficit, or (1.3%) of surplus earnings in 2018.

DESCRIPTION OF BUSINESS

DESJARDINS GROUP

Desjardins Group is the largest financial cooperative in North America, with assets of \$362.0 billion. As at December 31, 2020, Desjardins Group brings together 218 caisses in Quebec and the CDO, the *Fédération des caisses Desjardins du Québec* and its subsidiaries and the FSD. A number of the subsidiaries and components of Desjardins Group are active across Canada, whereas Desjardins Group is also present in the United States through Desjardins Bank, National Association. CDO is the product of the merger of the *Fédération des caisses populaires de l'Ontario Inc.* and its 11 member caisses populaires on January 1, 2020. With its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance segments, Desjardins Group offers a full range of financial services designed to meet the needs of its members and clients. As one of the largest employers in the country, Desjardins Group is driven by the skills of more than 48,900 employees and the commitment of over 2,500 directors as at December 31, 2020.

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

The Federation is the cooperative entity responsible for strategic policy, oversight, coordination, treasury operations and development for Desjardins Group. It provides its member caisses with a variety of services, including certain technical, financial and administrative services. The AFSC gives the Federation broad normative powers to act as a supervisory and control body for the caisses and to carry out its mission to manage the risks, capital, assets and liquidity of Desjardins Group and to ensure the financial health and sustainability of the Cooperative Group, which comprises the Desjardins Quebec caisses, the Federation and the FSD. Such standards are adopted by the Federation and they relate to, among other things, business practices of the caisses, capital and assets management, complaint handling and dispute resolution, investment activities of the caisses and provisions for doubtful debts and contingent losses.

⁽¹⁾ See the "Non-GAAP measures" section of the Management's Discussion and Analysis in the Annual Report of the Federation.

The AFSC provides for various measures to enable the Federation to intervene with relation to the affairs of the caisses and enforce compliance with the provisions of the AFSC or a normative instrument adopted thereunder. For more details, see the Sub-Section “Federation” in Section “Intervention Mechanisms” of this Annual Information Form.

The member caisses collectively control the Federation and each of the member caisses has influence over the Federation. The Federation enables the caisses and other Desjardins Group components to accelerate their development and better meet the needs of their members and clients.

Furthermore, the Federation provides financial services to Desjardins Group, governments, public and parapublic sector institutions, individuals as well as medium-sized and large businesses. It meets the financial needs of Desjardins Group caisses and other Desjardins Group components. The Federation’s mandate is to provide institutional funding for the Desjardins network and to act as financial agent, in particular by supplying interbank exchange services, including clearing house settlements. Its activities in Canadian and international markets complement those of other Desjardins Group entities.

The Federation’s governance policies and practices and the compensation paid to the members of Federation’s Board of Directors and Executive Officers are presented elsewhere herein. See sections “Statement of the Federation’s executive officer compensation” and “Corporate governance disclosure” in this annual information form.

The Federation’s structure has been designed to accommodate the needs of Desjardins Group members and clients, as well as the markets in which it operates. Accordingly, the Federation, the caisse network in Quebec and the CDO can leverage three key business segments—Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance—to increase their ability to develop their products and services.

For further details, see the “Business structure” Section of this Annual Information Form.

Personal and Business Services

The Personal and Business Services segment is at the center of Desjardins Group operations. It is responsible for developing a comprehensive and integrated line of products and services to meet the needs of individuals, businesses, institutions, not-for-profit organizations and cooperatives through the Desjardins caisse network, Desjardins Business Centres and Signature Service Centers and specialized teams. It enables Desjardins Group to be a leader in financial services in Quebec and to play a role in the Ontario financial services market.

This line of products and services meets a range of needs including day-to-day financial management, savings, payments, wealth management, financing, specialty services, access to capital markets, growth capital and business ownership transfers and advice, and comprises life and health insurance, and property and casualty insurance products offered via its distribution network.

In addition, caisse members and clients can rely on Quebec’s largest advisory team, consisting of professionals who provide dedicated and continuous support throughout all stages of their life cycle or entrepreneurial path.

To meet ever-changing Caisse member and client expectations, the Federation supports the caisses and their service centres in distributing products and services by optimizing the performance and profitability of physical and virtual networks through the introduction and management of complementary access networks, namely by phone, online, via applications for mobile devices and at ATMs.

The operations of Desjardins Securities Inc. and Desjardins Investment Management Inc., such as securities brokerage and private management activities, formerly reported in the Wealth Management and Life and Health Insurance segment, have been fully included in the Personal and Business Services segment since the first quarter of 2020, while the operations of Desjardins Trust Inc., such as custodial and

trust services, formerly reported in the Personal and Business Services segment, have been fully included in the Wealth Management and Life and Health Insurance segment since the first quarter of 2020. Data for 2019 have been reclassified to conform to these changes.

On December 31, 2019, the Federation completed the transfer to Global Payments of the entire portfolio of merchants receiving services from the Federation under the Monetico brand and finalized, as at January 1, 2020, a long-term partnership agreement with Global Payments, a company operating in the electronic payment sector. As announced on October 31, 2019, the Federation has been gradually phasing out in-store Accord D financing since May 1, 2020.

For more information about the Personal and Business Services segment, see Section 2.3.1 “Personal and Business Services” on pages 27-30 of the MD&A in the Annual Report, which is incorporated herein by reference.

Wealth Management and Life and Health Insurance

The Wealth Management and Life and Health Insurance segment combines various categories of service offers aimed at growing and protecting the assets of Desjardins Group members and clients. These offers are intended for individuals and businesses, while group insurance plans and group savings plans meet the needs of employees through their employers, or individuals who are part of any other group.

This segment designs life and health insurance product lines, investment solutions and group retirement savings. It also includes asset management and trust services for institutional clients.

The diversity and Canada-wide scope of the distribution networks is one of the main strengths of the segment:

- Desjardins caisse network;
- Desjardins agent networks;
- Desjardins Financial Security Life Assurance Company partner networks;
- External insurance and investment solutions networks;
- Actuarial consulting firms and brokers.

To meet member and client needs according to their preferences, certain product lines are also offered directly via client contact centres, online or through applications for mobile devices. Online services are constantly evolving to meet changing client needs.

The operations of Desjardins Securities Inc. and Desjardins Investment Management Inc., such as securities brokerage and private management activities, formerly reported in the Wealth Management and Life and Health Insurance segment, have been fully included in the Personal and Business Services segment since the first quarter of 2020, while the operations of Desjardins Trust Inc., such as custodial and trust services, formerly reported in the Personal and Business Services segment, have been fully included in the Wealth Management and Life and Health Insurance segment since the first quarter of 2020. Data for 2019 have been reclassified to conform to these changes.

For more information about the Wealth Management and Life and Health Insurance segment, see Section 2.3.2 “Wealth Management and Life and Health Insurance” on pages 31-34 of the MD&A in the Annual Report, which is incorporated herein by reference.

Property and Casualty Insurance

The Property and Casualty Insurance segment offers insurance products to protect Desjardins Group members and clients to protect their assets and protect themselves against damage and loss. It includes the business of Desjardins General Insurance Group Inc. and its subsidiaries and offers, across Canada, a line of property and automobile insurance products to individuals, as well as insurance products to businesses. Its products are distributed through property and casualty insurance agents (damage insurance agents in Quebec) in the Desjardins caisse network in Quebec, in several client contact centres and Desjardins Business Centres, and through an exclusive agents network, including nearly 500 agencies

in Ontario, Alberta and New-Brunswick. This exclusive agent network distributes property and casualty insurance and a host of other financial products online and via applications for mobile devices which are also used by all the other distribution networks in the property and casualty insurance sector.

Desjardins General Insurance Group Inc., which serves over 3 million clients, markets its products to individual and business markets across Canada under the Desjardins Insurance brand, and the group insurance market, namely members of professional associations and unions and employers' staff under The Personal brand.

For more information about the Property and Casualty Insurance segment, see Section 2.3.3 "Property and Casualty Insurance" on pages 34-37 of the MD&A in the Annual Report, which is incorporated herein by reference.

Treasury and Other Support to Desjardins Group Entities

The Treasury and Other Support to Desjardins Group Entities category includes financial information that is not specific to a single line of business. It primarily includes the treasury activities and the financial intermediation between surplus and liquidity needs of the caisses. It also provides direction and oversight to Desjardins Group as a whole, including finance, administration, risk management, human resources, communications, marketing and the Security Office.

The Federation serves as financial agent and treasurer to Desjardins Group. The Federation is a member of the Canadian Payments Association and of The Canadian Depository for Securities Limited ("CDS") which provide clearing settlements for payment instruments and securities transactions in Canada.

The Federation supplies Desjardins Group with financing and also provides various treasury products. It obtains its funds primarily from short-, medium- and long-term depositors on the Canadian and international capital markets. This segment also manages the Federation's assets and liabilities, and the securities and derivative financial instruments portfolios, as well as the funds of Desjardins Group. To this end, as Desjardins Group treasurer, the Federation develops and implements liquidity management and asset/liability matching strategies.

This Section also includes the operations of Desjardins Capital Inc. and Desjardins Technology Group Inc., which covers all of Desjardins Group's IT operations. In addition to various adjustments required to prepare consolidated financial statements, intersegment balance eliminations are also classified in this category.

For further details regarding the Other segment, see Section 2.3.4 "Treasury and Other Support to Desjardins Group Entities Category" on page 38 of the MD&A in the Annual Report, which is incorporated herein by reference.

Total revenue from operating segments

	% of Desjardin Group's total revenue 2020	% of Desjardins Group's total revenue 2019⁽¹⁾	% of Desjardins Group's total revenue 2018⁽¹⁾
Personal and Business Services	35.4	37.3	39.5
Wealth Management and Life and Health Insurance	39.2	40.4	37.1
Property and Casualty Insurance	27.1	24.8	26.2
Others	(1.7)	(2.5)	(2.8)

(1) Data for 2019 and 2018 have been reclassified to conform to the data of the current fiscal year.

For further details regarding revenue from operating segments, see the information on pages 26-38 of the MD&A in the Annual Report, which is incorporated herein by reference.

CAISSE NETWORK

The caisses are required to help fund the Federation's development and operating expenses, mostly through regular annual assessments for each fiscal year. Assessments may also increase the general and stabilization reserves of the Federation to the extent deemed necessary to maintain a sound financial profile. The By-laws of the Federation contain the terms and conditions for the establishment and payment of regular assessments. Each year, on the recommendation of the Federation's Board of Directors, assessments are adopted by a two-thirds majority of the votes cast by the members present at a general meeting and are then allocated among the caisses based on their relative size. The amount of a specific assessment depends on the Federation's annual budget and the required increase in its reserves, where applicable.

Principal cooperative rules

The caisses are separate legal entities organized as financial services cooperatives pursuant to the provisions of the AFSC. A financial services cooperative is defined in the AFSC as a legal person in which persons having economic needs in common unite to form a deposit and financial services institution. The mission and rules of cooperative action are set out in the AFSC. Every Desjardins caisse in Quebec must be a member of the Federation to be initially constituted and to maintain its existence. As a general rule, the activities of a caisse are exercised mainly for its members and for their benefit.

The members of a caisse share in its development by respecting a range of cooperative action rules consisting primarily of the following:

- There is no restriction on the number of members for each caisse. To become a member, a person must subscribe and pay for the number of qualifying shares determined by the caisse's by-laws. These shares are redeemable upon termination of membership;
- A member is only entitled to one vote regardless of the number of shares held. Proxy vote is not allowed, but a natural person may act as a proxy and represent a single legal person or company member;
- Each caisse must establish and maintain a general reserve (retained surplus), comprising all or a portion of its annual surplus earnings (excess of revenues over expenses, otherwise defined as surplus earning). No portion of this reserve may be distributed among members; and
- The annual surplus earnings of a caisse are allocated by the general meeting of its members in accordance with the provisions of the AFSC and the Federation's standards. An order of priority is established as follows: allocation to the capital gains reserve, allocation to the reserve for future dividends and allocation to the general reserve. Interest on permanent shares is determined by the Federation's Board of Directors and is paid first and foremost from surpluses or the stabilization reserve, or from the general reserve if the surpluses or stabilization reserve are insufficient. The caisse then uses its reserve for potential member dividends only to pay the total amount of member dividends to its members.

Business of the caisses

To support members in all their financial needs, each caisse may receive deposits from its members and invest them for profit, provide credit, mainly through mortgage loans, and offer various other financial products and services adapted to members' needs, including financial consultation and planning services, brokerage services as well as property and casualty insurance and life and health insurance products, through other Desjardins Group entities. The caisse's mission is to foster cooperation among its members and throughout its community while participating in the promotion of financial, social and cooperative economic education.

However, the insurance product offering of the CDO is limited to certain insurance products authorized under the laws of that province.

Credit activities

A caisse, directly or through its centres (including the Desjardins Business centres) or complementary Desjardins channels, extends credit to individuals (residential mortgage, consumer and other), to agricultural, commercial, industrial and other businesses and to public sector entities in accordance with the frameworks adopted by the Federation.

A caisse's general manager or the manager of a Desjardins Business Centre (specializing in business lending) authorizes all loans extended by the caisse in accordance with the credit practices and authorization limits prescribed by the Federation, and may also delegate this authority to any other person appointed by the caisse's Board of Directors. Accordingly, a caisse may extend credit to a borrower or a group of entities with the same risk up to its authorization limits, above which prior approval from the Federation is required.

At each balance sheet date, a provision for expected credit losses is recorded.

A loan is written off, in whole or in part, when there is no reasonable expectation of recovery, that is, when all possible restructuring or collection activities have been undertaken and, based on an assessment of the entire file, there is no other way to recover it.

Deposit activities

Deposits made by caisse members and clients are protected by the following internal and external mechanisms:

- Each caisse must maintain assets to meet its commitments as they become due in any fund established and administered by the Federation;
- Each caisse must create and maintain a general reserve;
- The caisses benefit from a security fund governed by the AFSC; and
- The caisses are registered with the AMF under the *Deposit Institutions and Deposit Protection Act*, as such, depositors are guaranteed repayment of their deposits up to \$100,000 per caisse and per depositor, subject to the applicable limits. Certain types of deposits may be separately guaranteed up to the same amount.

In addition to complying with the requirements of its constituting act with respect to capital and liquidity adequacy, CDO is also subject to the deposit insurance program of the Financial Services Regulatory Authority of Ontario (formerly the Deposit Insurance Corporation of Ontario).

Investment business structure

The AFSC requires the Federation to adopt a standard concerning the investments that may be made by the caisses. Pursuant to that standard, subject to the conditions stipulated, the caisses may invest in:

- immovables located in Quebec to the extent that such immovables are used primarily for its own use;
- stocks or shares or any subordinated debt securities issued by a cooperative governed by the AFSC, a federation of such cooperatives or a legal person controlled by any of them;
- shares or subordinated debt securities of companies located in its territory;
- Desjardins investment funds or Desjardins exchange-traded funds ("Desjardins ETF").

For each of these eligible investments, conditions and limitations are specified in the standard. For example, for shares, units or any debt security, where permitted, such investments may not represent, in the aggregate, on the date of any investment, more than 2% of the assets of a caisse, and no such investment may entitle a caisse to acquire or hold contributed capital securities issued by a legal person or a partnership or participations in a trust in excess of (i) 30% of the value of those securities or (ii) the number of those securities allowing it to exercise more than 30% of the voting rights. Pursuant to the AFSC, the restrictions on caisse investments apply collectively to all entities of the Cooperative Group.

In addition to a trust fund, the Federation has established a deposit fund, a liquidity fund, a development assistance fund, various investment funds, a Caisse centrale fund and an administration fund. The trust fund is administered by Desjardins Trust Inc. and is used to purchase capital shares or investment shares already issued by the caisses. The trust fund is also used to purchase capital shares or investment shares that have been issued by the Federation to a member of a caisse. The capital shares and the investment shares issued by the Federation and purchased in this manner may only subsequently be sold to a member of a caisse. The trust fund is never required to purchase a share issued by a caisse or the Federation.

Pursuant to the standards adopted by the Federation, substantially all investments made by a caisse must be in the form of deposits or investments in the funds established by the Federation. The Federation is entrusted with the management of the funds, but may mandate a third party to assume this responsibility subject to approval by the AMF. The assets of the funds, except for the liquidity fund and the trust fund, are not separate from those of the Federation. However, separate books and accounts of the transactions are maintained for each fund.

The deposit fund allows each caisse and the Federation to clear payment instruments drawn between them. Liquidity surpluses of the Quebec caisses are deposited in the deposit fund and, as at December 31, 2020, such surpluses totalled \$13.1 billion.

The purpose of the liquidity fund is to combine, for administration purposes, the funds that the Quebec caisses are required to maintain to meet the Federation's standards for sufficient liquidity. The net assets of the liquidity fund are separate from the Federation's assets and totalled \$10.2 billion as at December 31, 2020.

The purpose of the development assistance fund is to contribute to the development of people and corporations through investments, credit or any other form of assistance.

Investments by the caisses in the main affiliates of Desjardins Group originate from the investments in the investment funds of the Federation and totalled \$6.9 billion as at December 31, 2020.

The administration fund enables the Federation to manage its own assets and the services provided to the caisses. The Federation uses the administration fund to compute and manage all of the expenses and income derived from the services it provides to the caisses.

The Caisse centrale fund complements the activities of the administration fund and serves to administer the Federation's activities relating to the provision of banking, international and financial products and services to all Desjardins Group entities, to public sector organizations and medium and large businesses.

The caisses' deposits or investments in the funds may be invested only in accordance with the investment and credit powers of the Federation and applicable standards and policies.

Any deposit made by a caisse in a fund constitutes a debt of the Federation to the caisse ranking equally with its other debts.

The AFSC empowers the Federation to create, by by-law, any other fund deemed necessary.

Share capital

The share capital of a caisse consists of non-interest bearing qualifying shares. They are redeemable at the discretion of the caisses in the cases set out in the AFSC. The qualifying share gives the holder member a single voting right at the caisse that issued it, regardless of the number of qualifying shares held in the caisse. A caisse may also issue capital shares and investment shares subscribed for by its members and include these shares in its share capital. The number, price, privileges, rights and restrictions of each series of capital shares or investment shares are determined by resolution of the Board of Directors of the caisse, as approved beforehand by the Federation.

Permanent shares and dividend shares do not confer voting rights and are non-redeemable, except in certain specific situations provided for by the AFSC. Interest is determined and approved annually by the Federation's Board of Directors.

In 2014, the AMF authorized, under certain conditions, the redemption for cancellation of all of the dividend shares, and in 2018, authorized, under certain conditions, the redemption for cancellation of all the permanent shares.

Boards and committees

At each annual general meeting of a caisse, its members elect at least one third of the members of its Board of Directors. At or following such annual meeting, the Board of Directors of the caisse selects from among its members a president, a vice-president and a secretary for the caisse. The president and the other members of the boards are compensated in accordance with the standards of the Federation. Pursuant to the AFSC, no employee of a caisse, the Federation, or other legal entity or affiliate of the Federation may be elected to the Board of Directors of a caisse that is part of Desjardins Group. The general manager of a caisse may not serve on the Board of Directors of a Caisse. Each member of the Board of Directors of a caisse is elected for a term of three years. The AFSC stipulates that the by-laws of a caisse must provide for a rotation to ensure that one third, to the nearest whole number, of the members of its boards of directors be replaced annually.

Due to the exceptional context caused by the global pandemic and the measures issued by government authorities prohibiting any public gathering and the inability to elect directors to the board of directors of each caisse, the terms of office of all directors were extended by an additional year, in accordance with the AFSC.

Subject to special authorizations from the Federation, the Board of Directors is composed of at least nine and no more than fifteen members and is responsible for managing the affairs of the caisse and shall, in order to do so, ensure compliance with the orientations and guidelines that emanate from the Federation.

The AFSC also imposes various duties and specific obligations upon caisse directors and an infringement thereof may result in the personal liability of the non-complying director. Directors are required to act with prudence and diligence, as well as with honesty and loyalty towards the entities, which comprise the Cooperative Group, and in the interest of the Cooperative Group. Should a caisse's interests not correspond to those of the Cooperative Group, the caisse directors must promote the interests of the Cooperative Group. They must also abide by the law, the articles of the caisse, the government regulations, the by-laws of the caisse and the Federation, the rules of ethics and professional conduct, as well as the standards, orders and instructions incumbent on them under the AFSC.

Pursuant to the internal by-laws of the caisse, the Board of Directors must create two mandatory committees, the Audit and Professional Conduct Committee and the Governance and Ethics Committee, which will comprise a number of members set by the board.

The Audit and Professional Conduct Committee has the following responsibilities: (1) it reviews the reports prepared by the Desjardins Group Monitoring Office and reports to the Board of Directors advising with regard to the required follow-up, if any; (2) it follows up on the implementation of the measures taken under (1); and (3) it reviews the financial report provided for in the AFSC and recommends its adoption by the Board of Directors. The Audit and Professional Conduct Committee may also exercise any other function determined by the Board of Directors.

Accordingly and in order to play an active role in monitoring financial reporting, internal control, risk management and financial governance, the board may entrust the following additional duties to the Audit and Professional Conduct Committee: (a) review the financial performance of the caisse and its centers, namely following reports from the Federation; (b) ensure the quality of financial reporting to Desjardins Group; (c) review reporting on risk, compliance and internal control; (d) review the annual certification of the effectiveness of financial internal controls.

The mandate of the Governance and Ethics Committee is to support the Board of Directors of the caisse in analyzing and implementing governance practices that respect Desjardins Group's framework and values. In particular, it performs the following functions: (1) it supports the Board in the process of establishing the enhanced collective profile and the strategies to achieve it; (2) it ensures that an integration process for new directors is put in place and monitored; (3) it monitors the implementation of the training program for directors and the President.

In this regard, it plays an active role in reviewing the election process for Board officers and committee members, reviewing annually the terms of reference for non-compulsory Board committees and reviewing the application of frameworks relating to director compensation, expense reimbursement, and probity and competency management.

It also oversees the evaluation process of the performance of the Board of Directors and committees, and supports the President in implementing the resulting action plan, the quality and relevance of the information presented to the Board, with the exception of financial information, and reviews the ethical dimension of the caisse's activities based on the values of Desjardins Group. Finally, the Governance and Ethics Committee may exercise any other responsibilities assigned by the Board of Directors of the caisse.

Financial disclosure

The Finance Executive Division must prepare an annual report for each caisse containing (with the exception of caisses in a merger situation) excerpts from its financial report, as well as certain information regarding loans, deposits, the address of its head office, its general manager, its directors, its shares in investment funds of the Federation and its number of members. The annual report of each caisse must also include the total amount of loans extended to restricted parties.

The annual report of a caisse is submitted to its Board of Directors for approval. The caisses must provide the AMF, upon request, with the financial reports, statistical data, reports and other information it deems necessary for the application of the AFSC.

In addition, the caisses are required to provide the Federation with statistic data, reports and other information that the Federation deems appropriate for the purpose of ensuring oversight over their loans and investment activities. With this in mind, the caisses have also undertaken to provide the Federation with extensive access to their books, to enable the Federation to fulfil its duties.

REGULATION AND CONTROL

Information appearing under "Regulatory environment" on pages 7-10 of the MD&A in the Annual Report is incorporated herein by reference.

Regulatory requirements

[Act respecting Financial Services Cooperatives and other applicable legislation](#)

Desjardins Group's activities are governed by the AFSC and the *Insurers Act*. The Minister of Finance of Quebec is responsible for the application of the AFSC and the AMF is in charge of its administration. The AMF is the main government authority responsible for the supervision and oversight of deposit-taking institutions (other than banks) and insurance companies operating in Quebec and governed by provincial law, including the caisses, the Federation and its insurance subsidiaries. Other regulations issued provincially, federally or by regulators may also govern some operations of Desjardins Group entities, such as regulations of the Office of the Superintendent of Financial Institutions (OSFI) relating to property and casualty insurance, asset custody and trust services.

In June 2018, Bill 141, *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* (the Act) was adopted by the National Assembly and was aimed to apply to all institutions and intermediaries operating in Quebec's financial sector. The Act primarily aimed to update and modernize the legislative framework for Quebec's financial

sector so that the financial institutions it governs all have the levers they need to operate in a very competitive environment as well as a governance that is consistent with best practices. The Act impacted a series of laws, including the AFSC, the *Deposit Institutions and Deposit Protection Act*, the *Insurers Act* and the *Act respecting the distribution of financial products and services*. The Act also amended the *Act respecting the Mouvement Desjardins*. The amendments to the AFSC were, among other things, to prescribe the rules for organizing a network of financial services cooperatives and a financial group as well as the rules for issuing capital shares and investment shares. Details on the organization of the Cooperative Group under the AFSC and the *Deposit Institutions and Deposit Protection Act*, as amended, are below.

Financial solidarity within the Cooperative Group

The AFSC, as amended in 2018, contains a chapter concerning the Cooperative Group, which is comprised of the Desjardins caisses of Quebec, the Federation and the FSD and specifies the financial solidarity mechanisms within the cooperative group. Under the AFSC, the Federation's mission is namely to ensure risk management within Desjardins Group as well as the Group's financial health and sustainability. To that end, the Federation and the FSD are granted additional special powers of supervision and intervention for ensuring the protection of creditors, including depositors. In addition, the Federation can, in accordance with its mission and when it considers that the Cooperative Group's financial situation warrants it, issue written instructions to any caisse or order it to adopt and implement a compliance program. In addition to the regular assessments required from the caisses as set out in the By-laws of the Federation, the Federation may, under the AFSC and by resolution of its Board of Directors, make such assessments as it deems necessary for the performance of its missions. As to FSD, it must namely ensure that the distribution of capital and other assets between the components of the Cooperative Group allows each of them to perform its obligations to the depositors and other creditors in full, correctly and without delay. Among other things, the AFSC gives it the right to fix and collect assessments from the Cooperative Group entities. The FSD requires and collects assessments from the Quebec caisses each year. It is also required to intervene in respect of a component of the Cooperative Group each time it appears necessary to do so in order to protect its creditors. In such circumstances, the FSD may order the transfer of any part of the business of a caisse, order the amalgamation or dissolution of caisses or form a legal person to facilitate the liquidation of bad assets of a caisse. Moreover, the FSD mutualizes the cost of its interventions among the components that are part of the Cooperative Group. In addition, if it considers that its financial resources are insufficient to fulfil its mission, it may set and require any component of the Cooperative Group to make a special assessment.

The AFSC also provides that the Quebec caisses, the Federation and the FSD can be amalgamated into one legal entity, to be liquidated. Those entities cannot otherwise be liquidated.

The assessment powers of the Federation and the FSD, as described above, combined with this universal amalgamation wind-up mechanism, are the basic principals of the financial solidarity mechanisms, which constitute the very foundation of Desjardins Group and the Cooperative Group. Each of the Federation and the FSD may, on the basis of the assessment powers provided for in the AFSC or set out in the By-laws of the Federation, move capital between the various entities forming the Cooperative Group where, in particular, the protection of creditors of the latter so justifies. Regardless of where the capital is located within the Cooperative Group, the Federation and the FSD may direct and use this capital to finance, capitalize or otherwise intervene with respect to another Cooperative Group entity. Thus, in a liquidation scenario, the capital and assets of the Cooperative Group as a whole (and, indirectly, of Desjardins Group) are available to satisfy all of the debts of the Cooperative Group.

For more information on the powers of the Federation and FSD, see the Section entitled "Intervention mechanisms" of this Annual Information Form.

The *Deposit Institutions and Deposit Protection Act* also provides settlement and resolution mechanisms in the event of default by deposit-taking institutions, which are part of the Cooperative Group. For information, see the Sub-Section entitled "Internal recapitalization (bail-in) regime and total loss absorption capacity" below.

Regulatory capitalization requirements

Desjardins Group is subject to the regulatory capitalization requirements issued by the AMF. For details on Desjardins Group's integrated capital management framework, see the "Regulatory Capital and Capital Management" section of this Annual Information Form.

It should also be noted that in June 2013, the AMF ruled that Desjardins Group met the criteria designating it as a domestic systemically important financial institution (D-SIFI), which makes it subject to, among other things, higher capitalization requirements and enhanced disclosure requirements in accordance with AMF instructions.

Internal recapitalization (bail-in) regime and total loss absorption capacity

The *Deposit Institutions and Deposit Protection Act* and its regulations, as well as certain other laws, regulations and guidelines, collectively provide for a resolution process and internal recapitalization (bail-in) regime for domestic systemically important financial institutions belonging to a cooperative group. The objective of resolution operations, including the bail-in regime, is to ensure the sustainability of the operations of deposit institutions belonging to a cooperative group despite their failure, without resorting to public funds, and to have holders of contributed capital securities and creditors absorb losses, thereby minimizing taxpayer exposure to the losses.

Among other resolution operations, the AMF may (i) amalgamate the cooperative group and have it continued as one Quebec savings company, (ii) establish a bridge institution in order to have it assume the liabilities, in relation to deposits of money, of deposit institutions belonging to the cooperative group, (iii) establish an asset management company with a view to transferring any part of the assets or liabilities of a legal person belonging to the cooperative group to such asset management company, except liabilities in relation to deposits of money, and/or (iv) transfer the assets and liabilities of a legal person belonging to the cooperative group to any acquirer.

In addition, in the event any deposit institution belonging to the cooperative group becomes non-viable, the AMF may convert any part of the capital shares issued by the deposit institutions belonging to the Cooperative Group (such as Class F capital shares) and/or of certain other debt securities prescribed by regulation issued by the Federation into contributed capital securities of the Federation, of a deposit institution belonging to the Cooperative Group, or of another legal person otherwise constituted for such purpose or resulting from the resolution process of the Cooperative Group. The AMF may also cancel or write off any of such capital shares or debt instruments. Covered bonds, certain derivatives and structured notes, senior unsubordinated debt instruments that (i) have a maturity of less than 400 days (including explicit or embedded extension options) or (ii) are not assigned an international securities identification number (ISIN) or other similar designation for the purposes of trading and settlement, and subordinated notes that are non-viability contingent capital instruments are all excluded from the application of the bail-in regime. Holders of converted, cancelled or written-off capital shares or debt instruments may be eligible for indemnification as set forth under applicable regulations.

The AMF released on March 21, 2019 the *Notice relating to the bail-in power set out in the second paragraph of section 40.50 of the Deposit Insurance Act*, which clarifies the AMF's current intention with respect to the application of the bail-in regime. In this context, the AMF plans to convert negotiable and transferable unsecured debt into capital shares of the Federation in accordance with the conversion measures set out in the regulations. The AMF would then carry out an amalgamation/continuance operation, the purpose of which would be to amalgamate the entities belonging to the Cooperative Group and have them continued as one Quebec savings company. This operation would result in the capital shares issued by the amalgamating entities being converted into common shares of the savings company.

The bail-in regime applicable to Desjardins is substantially similar to the Canadian federal regime to which Canadian banks are subject. In addition, the bail-in regime is not retroactive in respect of debt instruments and does not apply to any debt instruments issued prior to March 31, 2019. The bail-in regime could adversely affect the Federation's cost of funding.

Furthermore, the AMF's *Guideline on total loss absorbing capacity* (the TLAC Guideline) applies to and establishes standards for Desjardins Group. As such, beginning April 1, 2022, Desjardins Group will be required to maintain at all times a minimum loss absorbing capacity composed of unsecured external long-term debt that meets the prescribed criteria or regulatory capital instruments to support its recapitalization in the event of a default. For more information, see Sub-Section "Regulatory framework and internal policies" of the "Regulatory Capital and Capital Management" section of this Annual Information.

U.S. Regulations

Desjardins Bank, National Association (DB N.A.), a wholly owned subsidiary of Desjardins FSB Holdings, Inc. (DFSBH), is authorized to carry on banking operations as a national banking organization under the charter issued to it by the Office of the Comptroller of the Currency of the United States (OCC), an independent office of the United States Department of the Treasury and the regulator that oversees it. DFSBH, as a bank holding company and wholly owned subsidiary of the Federation, is subject to the supervisory and regulatory authority of the Federal Reserve Bank of Atlanta. The Federation also operates a branch in Florida, namely Desjardins Florida Branch (DFLB), that has been given the status of a Limited Federal Branch of a Foreign Banking Organization by the OCC. DFLB is subject to regulation by the International Banking Supervision division of the OCC's Large Banks Supervision department. Desjardins Group is governed by the *Bank Holding Company Act* (BHC Act), as amended by the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act), and the U.S. Federal Reserve regulations. On October 22, 2015, the Board of Governors of the U.S. Federal Reserve System determined that Desjardins Group, the Federation and DFSBH may each be treated as a Financial Holding Company (FHC). To maintain the status of FHC, Desjardins Group must continue to demonstrate that the subject entities of Desjardins remain "well capitalized" and "well managed" in accordance with the established standards and regulations of the U.S. Federal Reserve.

In accordance with U.S. Federal Reserve policies, the Federation must be a source of financial solidity for DB N.A. U.S. federal laws limit DB N.A.'s capacity to make certain transactions with affiliates of Desjardins Group. Each of these transactions is limited to an amount equal to 10% of DB N.A.'s capital and the total amount of all such transactions may not exceed an amount equal to 20% of its capital. In addition, such transactions should be subject to terms as favourable to DB N.A. as those entered into with unrelated third parties.

Government regulations

The AFSC confers wide-ranging regulatory powers on the Quebec government and the AMF regarding the caisses and the Federation, in particular in respect of:

- the standards respecting the management of the capital base and assets of the Federation and the caisses;
- the standards respecting the assets and liquid assets of the Federation or the caisses;
- the limits applicable to the investments which the Federation or the caisses may make;
- the additional information that must be provided in the auditor's report

The government may also adopt regulations applicable to the caisses regarding, among other things, their business practices, the management of their capital and assets, the handling of complaints and the settlement of disputes should the Federation fail to adopt standards in that regard.

The CDO, participating auxiliary member of the Federation, is governed by the *Credit Unions and Caisses Populaires Act*, 1994 (Ontario) and subject to Ontario regulatory authorities.

Autorité des marchés financiers

The AMF performs monitoring and control functions over financial institutions. Among its responsibilities, the AMF supervises and inspects deposit-taking institutions (other than banks) operating in Quebec. In particular, it is responsible for administering the AFSC and performing the duties and exercising the powers conferred to it under the AFSC. The AMF may issue orders to ensure implementation of the AFSC and any regulations adopted by the government.

The AMF must ensure the adoption by the Federation of a satisfactory standard regarding the content of financial reports required to be produced by the caisses, in order for the Federation to have the combined financial statements audited, which financial statements present, on a combined basis, the financial position of the caisses that are members of the Federation. The AMF must also ensure that the internal affairs of the caisses are audited in accordance with the provisions of the AFSC. The AMF can require that the annual audit of the activities of the Federation be repeated or extended, or that a special audit be carried out on a member caisse of the Federation and, for this purpose, it can name an auditor who will be compensated by the caisse in question. It may, at any time, conduct any examination or investigation it considers necessary or expedient in respect of the internal affairs and activities of a caisse. It may also order an inquiry into any matter within its jurisdiction, if it is of the opinion that public interest so requires. Where the AMF is of the opinion that the value of real property securing a claim of a caisse is less than the amount of the loan granted and interest accrued, or where it considers the real property to be insufficient security, it may require an appraisal of the real property. Following the appraisal, it may reduce the book value of the loan. Likewise, where the AMF is of the opinion that the market value of any asset of a caisse is less than the book value, it may require an appraisal of the asset concerned and reduce its book value.

The AFSC empowers the AMF to establish guidelines for all financial services cooperatives or a single class of such cooperatives, or for caisses or for a federation of which such caisses are members. The AFSC also gives the AMF the power to impose a compliance program on the Federation and the caisses when it considers that the network's capital is insufficient to ensure its sustainability. The AMF may give the Federation or a caisse any written instructions it deems appropriate while such a compliance program is in effect. It may also implement such a compliance program should the Federation fail to do so.

The AMF may exercise the powers conferred to the Federation by the AFSC in lieu of the Federation if, in the opinion of the AMF, the Federation fails to exercise such powers. Thus, the AMF may give written instructions to the Federation concerning the adequacy of the capital base of its network as well as its assets and liquidities or to the Federation or the caisses concerning the investments they may make. The AMF may also provide the Federation or the caisses with guidelines concerning any sound and prudent management practice. The AMF may also issue an order to a caisse where it is of the opinion that the caisse does not adhere to sound and prudent management practices or is not in compliance with the AFSC, a government regulation, written instructions, guidelines, a compliance program or an undertaking entered into under the AFSC or the rules of ethics pertaining to insider trading and conflicts of interest. In such a case, it may order a caisse to cease such practices and to implement specific measures. The AMF must be informed of a caisse's failure to comply with written instructions or orders given or issued by the Federation. The AMF may approve the instructions or orders of the Federation with or without amendments. The AFSC stipulates that once approved, these instructions or orders are deemed to be written instructions of the AMF.

Furthermore, the AMF may, by motion, apply to the courts for an injunction in respect of any matter relating to the AFSC.

Intervention mechanisms

Certain intervention mechanisms have been established by the Federation and the FSD in accordance with the AFSC, to support Cooperative Group entities and ensure the protection of their depositors and other creditors.

Federation

Federation assessments

In addition to the regular assessments which the caisses are bound to pay and that are fixed in the By-laws of the Federation's, the Federation may establish, pursuant to the AFSC and by resolution of its Board of Directors, such assessment it considers necessary for the pursuit of its missions. Under the AFSC, the caisses are bound to pay these assessments.

Guiding principles for the Federation's intervention

In accordance with its mission, if the Federation considers that a caisse is not adhering to sound and prudent management practices or sound commercial practices, has contravened the AFSC, has failed to resolve a conflict of interest, has failed to maintain a satisfactory financial position, or if the financial situation of the Cooperative Group warrants it, it may exercise one of the special powers set out in the AFSC against any caisse belonging to this group. The AFSC grants the Federation power to, amongst other things, give written instructions to a caisse respecting the measures it considers appropriate to remedy the situation, and specify the time within which the caisse is required to comply with those instructions; and order the caisse to adopt and implement a compliance program in accordance with its directives, within the time it prescribes and for the reasons it specifies. If a caisse fails to comply with the instructions of the Federation, the AFSC further provides that the Federation may take, among others, one or more of the following measures: designate a person to work, under the control of the Federation, with the Board of Directors, an officer or a manager for the period determined by the Federation; or suspend the powers of a board for the period determined by the Federation, dismiss and replace an officer or manager of the caisse, or appoint a provisional administrator or extend his or her term, as the case may be. In addition to these measures, the Federation may also request the FSD to take any other special intervention measures granted to it by the AFSC. For more information on this subject, see the section entitled "Guiding principles for the intervention of the *Fonds de sécurité Desjardins*" in this Annual Information Form. The Federation may also withdraw or restrict the power of any member caisse of the cooperative group to allocate its surplus earning or its shareable reserves.

The Federation also has intervention powers with respect to CDO. These powers are recorded in the contractual agreements between the two parties. In particular, the Federation may, under the *Entente complémentaire au protocole d'affiliation*, and in the event that the Federation determines that CDO is in default of its commitments, give written instructions, require CDO to establish a Board Committee, which is composed of members identified by the FCDQ and whose mandate would be to correct any identified issues, restrict the liquidity and/or capital support or terminate the affiliation protocol between CDO and FCDQ. In addition, as a "caisse participating auxiliary member" of the Federation, the CDO is required to make the annual regular assessment required by the caisses and set out in the Federation's By-laws.

Fonds de sécurité Desjardins

In 1980, Desjardins Group created the FSD to reinforce the financial security of the caisses. Pursuant to the AFSC, the FSD has the mission to (1) establish and administer a security fund for the benefit of the Quebec caisses that are members of the fund, (2) to assist in the payment of any losses sustained by the members of a Quebec caisse in the event of its winding-up, (3) to take part in the capitalization operations of the network of Quebec caisses that are members of the Federation, and (4) to avoid or reduce payments made by the AMF under the *Deposit Institutions and Deposit Protection Act*. It also ensures that appropriate capital strengthening plans are adopted and implemented at the caisses benefitting from its financial support. The FSD must ensure that the distribution of capital and other assets between the legal persons belonging to the *Group coopératif Desjardins* allows each of those legal persons to perform its obligations to its depositors and other creditors in full, correctly and without delay. To that end, the FSD shall intervene with regard to a financial services cooperative of *Groupe coopératif Desjardins* each time it appears necessary to do so in order to protect the cooperative's creditors.

Subject to exceptional circumstances, the FSD remains a "last resort entity", which means the FSD intervenes only after a caisse has taken action to rectify a problematic situation and the Federation has intervened, in accordance with the Federation's support and intervention process and the framework for evaluating the caisses' financial performance.

Assessments of Fonds de sécurité Desjardins

The AFSC defines the powers that the FSD may exercise in the pursuit of its mission. Namely, it confers upon the FSD the right to determine and collect assessments from the Cooperative Group entities. The FSD levies and collects assessments from the Quebec caisses annually and may pool the cost of its interventions between financial services cooperatives that are part of the Cooperative Group. For

fiscal 2020, the assessment for each caisse is determined as follows: 50% according to risk-weighted assets and 50% according to total member deposits. The caisses are bound by the AFSC to pay this assessment, which serves to cover the operating expenses of the FSD, settle the deposit insurance premium payable pursuant to the *Deposit Institutions and Deposit Protection Act* and fund the reserve. If the FSD finds that a caisse is not practising sound and prudent management, the FSD may fix and require from the caisse a special assessment. In addition, it may fix and require from any financial service cooperative, which is a member of the Cooperative Group, a special assessment for each of the fiscal years determined by the FSD.

Guiding principles for the intervention of the *Fonds de sécurité Desjardins*

The FSD has adopted an intervention policy, which provides certain details regarding the FSD's preferred intervention mechanisms with entities of the Cooperative Group. This policy is not intended to replace the intervention provisions of the AFSC or to compromise its discretion to intervene at any time and whenever its intervention appears necessary for the protection of creditors.

In order to improve the financial situation of a caisse, the FSD prefers to intervene in the form of grants at its sole discretion whenever its intervention appears necessary to protect the caisse's creditors in particular when its reserves are exhausted. This method of intervention may be exercised alone or in conjunction with other powers provided for in the AFSC in a given caisse, including the correction of management practices.

Where circumstances warrant, the FSD may also take any other special intervention measure with a caisse provided for in the AFSC. Under its special powers, the FSD may order the assignment of any part of the enterprise of a caisse or order the transfer of any such part between such caisses; order the amalgamation or dissolution of a caisse; or establish a legal person to facilitate the liquidation of a caisse's bad assets. The FSD may exercise these powers on its own initiative when it considers that the situation could compromise the satisfaction of the caisse's obligations to depositors and creditors, or when the Federation formally requests the FSD to do so.

The caisse's Board of Directors must undertake to comply with all conditions imposed by the FSD during any intervention and to submit all reports and information required at that time.

Finally, in accordance with the provisions of the AFSC, the FSD may also intervene with the Federation. As such, the FSD prefers to intervene in the form of a grant to the Federation at its sole discretion whenever its intervention appears necessary to protect the Federation's creditors.

The financial structure of the FSD is based on net equity of \$1,322 million as at December 31, 2020. Moreover, as at December 31, 2020, the FSD reached its internal capitalization objective established at 0.60% (the net value of FSD divided by the total assets of the Quebec caisses) as its ratio corresponded to 0.63%.

Investments

The investment policy of the FSD, which must be approved by the AMF, regulates the investment activities of the FSD. Under this policy, only investment grade securities may be acquired.

Inspections and audits

The FSD must have its books and accounts audited every year. Within three months following the end of its fiscal year, the FSD must send a statement of its operations in the prescribed form to the AMF. The affairs of the FSD are also inspected by an inspector appointed by the AMF on a yearly basis or whenever such an inspection is considered necessary.

Desjardins Group Monitoring Office (DGMO)

The DGMO carries out its internal audit mandates across Desjardins Group, including the Desjardins caisse network.

The DGMO mainly receives its mandate from and is accountable to the Desjardins Group Audit and Inspection Commission (AIC) and the audit committees of the components.

The DGMO's Oversight Framework is the document on which the DGMO relies to carry out its mandate with respect to Desjardins Group components. It also serves as the Internal Audit Charter. The Oversight Framework sets out the DGMO's mandate, status and responsibilities as well as the means at its disposal to discharge its duties. The DGMO's Oversight Framework includes all of DGMO's mandates across Desjardins Group, including its internal audit activities of Desjardins caisses, the Federation, FSD, as well as all Desjardins Group components controlled, directly or indirectly, by the Federation.

The annual internal audit plan is based on themes aligned with the orientations and horizon of Desjardins Group's strategic plan, as well as on prioritizing mandates based on a risk analysis. It also takes into account the statutory requirements to which Desjardins Group is subject. The annual plan is validated by Desjardins Group executive officers and is approved by the AIC while the audit committee of Desjardins Group components (other than the caisses) approves or is informed of the plan.

The AFSC requires the DGMO to inspect each caisse at least every 3 years and inform the AMF, the caisse's Board of Directors and the FSD of the results of its mandate.

The Chief Monitoring Officer of the DGMO reports functionally to the AIC and administratively to the President and Chief Executive Officer of Desjardins Group. The AIC ensures, in conjunction with the Board of Ethics and Professional Conduct (BEPC) of the Federation, the protection of the independence and objectivity of the internal audit function of the DGMO. To this end, the AIC is required to issue annually an opinion to the BEPC confirming that the Chief Monitoring Officer has performed his role without interference from management with respect to the internal audit component. The AIC is also part, through the BEPC, of the process of recommending the appointment or removal of the Chief Monitoring Officer to the Board of Directors of the Federation as head of the monitoring function.

REGULATORY CAPITAL AND CAPITAL MANAGEMENT

Information appearing under Section 3.2 "Capital Management" on pages 48-52 of the MD&A in the Annual Report is incorporated herein by reference.

Desjardins Group Integrated Capital Management Framework, including the Federation

Broadly speaking, Desjardins Group's Integrated Capital Management Framework sets forth the policies and processes required to set targets for its capitalization, to establish strategies to ensure that targets are met, to quickly raise capital, to ensure that the components contribute to the capitalization of Desjardins Group and to optimize internal capital flow and use procedures.

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) enables Desjardins Group to ensure the adequacy of capital to cover all material risks to which it is exposed and to implement capital management strategies that take into account changes in its risk profile.

The stress-testing program serves to determine and measure the effect of various integrated scenarios, i.e. in simulating various economic scenarios and assessing the financial and regulatory repercussions. This process makes it possible to determine whether the level of capital is adequate for the risks to which Desjardins Group is exposed.

Regulatory framework and internal policies

Desjardins Group's capital management is the responsibility of the Federation's Board of Directors. To support it with its task, the Federation has mandated the Management Committee, through the Finance and Risk Management Committee to ensure that Desjardins Group maintains an adequate capital base, taking into account its strategic objectives and regulatory requirements. The Finance, Treasury and Administration Executive Division is responsible for preparing on an annual basis a capitalization plan to forecast capital trends, devise strategies and recommend action plans to meet capital objectives and targets.

The current and forecasted situations show that overall Desjardins Group maintains a solid capital base, allowing it to remain among the best-capitalized financial institutions.

On September 16, 2020, the AMF issued a notice indicating that the Federation's capital ratios must be calculated based on the exposure of all the entities making up Desjardins Group. This change stems from the changes to the AFSC in 2018, which formalized the solidarity and winding-up mechanisms unique within the Cooperative Group. Depositors and creditors are now protected by all of the capital of the Desjardins Cooperative Group, which explains the AMF's decision.

Desjardins Group's regulatory capital ratios are calculated according to the AMF's *Capital adequacy guideline* applicable to financial services cooperatives (Guideline). This Guideline takes into account the requirements set out in Basel III global regulatory framework for more resilient banks and banking systems issued by the Bank for International Settlements.

Accordingly, a minimum amount of capital must be maintained on a combined basis by all the Desjardins Group components. Some of those components have separate regulatory capital, liquidity and funding requirements, as established by regulators governing banking, insurers and securities, among other things. Desjardins Group monitors and manages those entities' capital requirements to ensure effective use of capital and ongoing compliance with applicable regulation.

Desjardins Financial Corporation Inc., a holding company, is subject to the *Capital Adequacy Requirements Guideline* for Life and Health Insurance issued by the AMF. As a result, for regulatory capital purposes, Desjardins Financial Corporation Inc., a holding company consisting mainly of insurance companies, is deconsolidated and presented as a partial capital deduction under the significant participation rules set forth in the Guideline.

The capital ratios are calculated according to the Guideline and are expressed as a percentage of regulatory capital against risk-weighted assets (RWA). Designated as a domestic systemically important financial institution by the AMF, Desjardins Group must meet a minimum Tier 1A capital ratio of 8%. In addition, the Tier 1 capital ratio and the total capital ratio must be above 9.5% and 11.5%, respectively. The AMF may also, at its discretion, set higher target capital ratios where circumstances warrant. To this end, since March 31, 2019, the AMF can activate the countercyclical buffer if it considers that excessive credit growth is associated with a build-up of system-wide risks. According to this assessment, a countercyclical buffer requirement ranging between 0% and 2.5% of the total RWA would be put in place when circumstances warrant. This requirement would be released when that risk has dissipated or materialized.

Desjardins Group calculates RWA for credit risk, market risk and operational risk.

Credit risk

- Desjardins Group uses the Internal Ratings-Based Approach for credit risk.
- Since March 2009, the Internal Ratings-Based Approach has been used for credit risk related to retail loan portfolios – Personal.
- Since December 2019, the Internal Ratings-Based Approach has been used for most exposures in sovereign borrowing asset classes, financial institutions, businesses and SMEs that are similar to other retail exposures.

- The Standardized Approach is used to measure the credit risk of certain exposures related to components of lesser importance, as well as asset classes that are not significant in terms of amount and perceived risk profile.

Market risk

- Since September 2018, Desjardins Group has been using market risk internal models for trading portfolios.
- The Standardized Approach is used for foreign exchange risk and commodity risk in the banking portfolio.

Operational risk

- Since June 2017, Desjardins Group has been using the Standardized Approach to calculate operational risk.

Desjardins Group is also subject to a RWA floor.

The AMF further requires that Desjardins Group maintain a leverage ratio above 3.5%. This ratio is determined by dividing Tier 1 capital by the exposure measure. The exposure measure is independent of risk and includes: (1) on-balance sheet exposures, (2) securities financing transaction exposures, (3) derivative exposures and (4) off-balance sheet items.

In addition, the *Total Loss Absorbing Capacity Guideline* issued by the AMF (TLAC Guideline) came into effect on March 31, 2019. As such, from April 1, 2022, Desjardins Group will be required to maintain at all times a minimum loss absorbing capacity consisting of unsecured external long-term debts that meet the relevant criteria or regulatory capital instruments to support its bail-in in the event of default.

In accordance with the TLAC guidance, the AMF expects Desjardins Group to maintain a risk-based TLAC ratio of at least 21.5% of risk-weighted assets and a TLAC leverage ratio of at least 6.75% as of the second quarter of 2022.

Desjardins Group has started issuing debts that are eligible for the TLAC guideline since October 1, 2019.

Desjardins Group and all its components that are subject to minimum regulatory requirements with respect to capitalization were in compliance with said requirements as at December 31, 2020.

COMPETITIVE CONDITIONS

The Federation's main competitors include the major Canadian banks and insurance companies that do business in all of the Canadian provinces. For more information about the competitive conditions in each of the Federation's three main business segments, see the Section 2.3 "Analysis of business segment results" on pages 26-38 of the MD&A in the Annual Report, which is incorporated herein by reference.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

The Desjardins Group relies on applicable intellectual property legislation to protect the many trade names and trademarks it owns for the various financial products and services offered to its members and its clients. In addition to the rights resulting from the use of the trade names it owns, Desjardins Group registers trademarks when possible and takes appropriate measures to prevent their unauthorized use by third parties where necessary. To make this document easier to read, the trademarks and trade names of Desjardins Group may be used herein without the TM or © symbol but that does not mean that Desjardins Group will not enforce its rights or the rights of the licence holders of such trademarks and trade names to the extent permitted by applicable law. We note that the Desjardins brand is registered with the Canadian Intellectual Property Office since October 8, 2020.

SOCIAL AND ENVIRONMENTAL POLICIES

Because it believes that building social and economic factors into its business model is critical to its sustainability, Desjardins Group has been implementing a sustainable development policy since 2005. As such, in 2017, Desjardins Group took a clear position with regards to its contribution to the objectives of the Paris Agreement. In 2020, the sustainable development policy was revised and a variant adapted to the reality of the caisses was proposed. Nearly 70% of caisses adopted it during the year.

Year after year, Desjardins Group has been improving its business and management practices with the aim of measuring its progress. The year 2020 was marked by the continued gradual introduction of environmental, social and corporate governance criteria (ESG) in business decisions, including financing, investment and insurance operations.

To this end, Desjardins Group finalized its adherence to the three international frameworks for integrating ESG criteria into its business model, namely the Principles for Responsible Investment (since 2009), the Principles for Responsible Insurance (2019), and in June 2019, became the first Canadian financial institution to sign the Principles for Responsible Banking. These frameworks are internationally recognized United Nations initiatives.

Desjardins Group has established indicators for measuring the impacts of its strategic objectives, aiming, among other things, to make a tangible contribution to a sustainable and responsible economy. These indicators make it possible to monitor the growth in sales of “green” financial products for its members and clients, the growth of investments and financing in renewable energies, the reduction of the carbon footprint in the management of its operations (buildings, travel and paper) and the reduction of its carbon footprint related to the management of its investments. Desjardins Group has been carbon neutral on the scope of its operations since 2017.

Recognizing that its socio-economic leadership is supported by financial levers tailored to the needs of the community, Desjardins Group has established the GoodSpark Fund, a \$250 million fund. This fund enables it to support development projects that promote people and communities, both in the regions and nationally.

By ensuring rigorous management of operations, a stimulating work environment for its employees and sustained support to the social and economic development of communities, Desjardins Group strives to achieve both financial and social recognition for its performance.

With this goal in mind, Desjardins Group enhances its disclosures related to its top-priority social responsibility issues based on the Guidelines of the Global Reporting Initiative (GRI). With regard to the climate issue, Desjardins Group also made, in 2019, and for the second time, a disclosure related to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), an initiative launched by the Financial Stability Board (FSB), itself created under the aegis of the G20, whose mandate is to monitor and make recommendations regarding the global financial system.

In November 2020, Desjardins also joined the Partnership for Carbon Accounting Financials (PCAF), with the goal of adopting and promoting internationally standardized methods for measuring funded carbon emissions.

RISK FACTORS

Information appearing under Section 4.0 “Risk Management” on pages 54-82 of the MD&A in the Annual Report is incorporated herein by reference.

CAPITAL STRUCTURE

GENERAL DESCRIPTION

As at the date of this Annual Information Form, the Federation's authorized capital stock comprised the following qualifying shares and capital shares:

An unlimited number of qualifying shares with a par value of \$5. These shares can only be issued to members of the Federation and are redeemable only at the Board of Directors' option under certain conditions stipulated in the by-laws.

An unlimited number of Class A and G Capital Shares having a par value of \$5 and an unlimited number of Class F Capital Shares and of Class Z Shares – contingent capital (the Class Z Capital Shares) having a par value of \$10. Class A and G Capital Shares can be issued only to members of the Federation, while Class F Capital Shares can be issued only to members of the Desjardins caisses in Quebec, including their auxiliary members. Class Z Capital Shares may be issued to any person pursuant to the AFSC, but only upon conversion of contingent capital instruments in the event of non-viability or at the discretion of the Federation after such conversion. The Federation has the right, by resolution of the Board of Directors, to make a capital call in the form of Class G Capital Shares with its members, including to meet the requirements of a regulatory body with respect to capital adequacy or for other considerations. Any member subject to the capital call must acquire and pay for the Class G Capital Shares allocated to such member. The Federation may, by resolution of the Board of Directors and with the AMF's authorization, repurchase all or part of the Class A Capital Shares, Class G Capital Shares, Class F Capital Shares and Class Z Shares, if applicable, unilaterally at any time. The Federation may also at any time, and with the AMF's authorization, purchase all or part of the Class A Capital Shares, Class G Capital Shares, Class F Capital Shares and Class Z Shares, if applicable, by mutual agreement. Furthermore, all or part of the Class A Capital Shares and Class G Capital Shares may be converted at any time, by resolution of the Board of Directors, into another class of shares issued for such purpose. The rate of interest on Class A Capital Shares, Class G Capital Shares, Class F Capital Shares and Class Z Capital Shares, if applicable, is determined by the Board of Directors of the Federation and the latter approves annually the surpluses that may be allocated to the payment of interest on these capital shares. The repayment of the principal amount and the payment of interest on Class A, G, F and Z Capital Shares, if applicable, are subject to compliance conditions.

An unlimited number of FIN-5A, INV and SER Capital Shares in relation to an investment fund. These shares can be issued only to members of the Federation; they are without par value and bear no interest. Subject to the provisions of the Federation's By-laws, the holders of these shares are entitled to share the net income of the funds. These shares are redeemable, with the AMF's authorization, at the option of the Board of Directors or by mutual agreement. All or part of these shares may also, by resolution of the Board of Directors, be converted into another class of shares issued for such purpose.

The holders of qualifying shares and capital shares of the Federation are not entitled to notice of or to attend or vote at meetings of the Federation's members.

NOTES AND OBLIGATIONS

The information regarding the Notes and Obligations contained on pages 75-78 of the MD&A in the Annual Report is incorporated herein by reference.

CREDIT RATINGS

Desjardins Group's credit ratings impact its capacity to access sources of financing from financial markets, as well as the terms of such financing. They are also taken into account during certain Desjardins Group transactions involving counterparties.

The credit rating agencies assign credit ratings and the related outlooks based on their methodologies, which comprise a number of evaluation criteria, including factors, which are beyond Desjardins Group's

control. The agencies evaluate Desjardins Group on a combined basis and take into account its capitalization, its consistent financial performance, its significant market share in Quebec and the quality of its assets. Consequently, the credit ratings of the Federation, a reporting issuer, and of Desjardins Capital Inc., a venture reporting issuer, are backed by the financial strength of Desjardins Group.

The Federation and Desjardins Capital Inc. have first-class credit ratings that are among the best of the major Canadian and international banking institutions.

Highlights of rating agencies on Desjardins Group instruments during 2020 and January 2021:

- On April 3, 2020, due to the disruptions in economic activity and the financial markets in the context of the COVID-19 pandemic, Fitch downgraded the outlook assigned to Desjardins Group's ratings, as well as those of the major Canadian banks, from stable to negative. Furthermore, in connection with the February 28, 2020 announcement regarding the update of its methodology applicable to the banking and non-banking industry, Fitch announced the upward revision of the rating of the existing senior debt (excluded from the bail-in regime applicable to Desjardins Group) from AA- to AA, confirmation of the AA-rating of the senior debt (subject to the bail-in regime applicable to Desjardins Group) and a downward revision of the NVCC (non-viability contingent capital) subordinated note rating from A+ to A. In addition, Fitch also lowered Desjardins Capital's senior debt rating from A+ to A.
- On June 9, 2020, Moody's rating agency upgraded Desjardins Group's outlook from negative to stable. This change reflects Moody's assessment that Desjardins Group has reduced its dependence on wholesale financing, but is also due to Desjardins Group's geographic footprint in the province of Quebec, where consumers have on average lower debt levels than those in other Canadian provinces, as well as Desjardins Group's low exposure to the energy sector in Canada. As such, Moody's believes that Desjardins' loan portfolio is less vulnerable to the COVID-19 pandemic than the Canadian bank portfolios.
- Following the publication on December 14, 2020 of the report of the Office of the Privacy Commissioner of Canada and the orders of the *Commission d'accès à l'information du Québec* and the *Autorité des marchés financiers*, the rating agencies DBRS and Fitch maintained ratings on Desjardins Group instruments, while Moody's confirmed ratings. To justify their actions, the agencies mentioned the importance of the resources Desjardins Group has devoted to information security controls, fraud prevention and improved governance. Moreover, the rating of Desjardins Group and Desjardins Capital by Standard & Poor's has not changed.
- On January 13, 2021, Fitch confirmed the ratings for Desjardins Group instruments and increased its outlook from negative to stable. This change in perspective reflects the assessment that Fitch believes that Desjardins Group has strong assets, but also a strong presence in Quebec as a leader in the savings, residential mortgage, wealth management and insurance markets.

Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
<i>Fédération des caisses Desjardins du Québec</i>				
Counterparty/deposits ⁽¹⁾	AA	AA	Aa1	A+
Short-term	R-1 (high)	F1+	P-1	A-1
Medium- and long-term, existing senior ⁽²⁾	AA	AA	Aa2	A+
Medium- and long-term, senior ⁽³⁾	AA (low)	AA-	A2	A-
NVCC subordinated notes	A (low)	A	A2	BBB+
Covered bonds	-	AAA	Aaa	-
Perspective	Stable	Stable	Stable	Stable
Desjardins Capital Inc.				
Medium- and long-term, senior	A (high)	A	A2	A
Perspective	Stable	-	Stable	Stable

⁽¹⁾ Represents Moody's long-term deposit and counterparty credit rating, S&P's issuer credit rating, DBRS's long-term deposit credit rating, Fitch's long-term issuer default rating, long-term deposit credit rating and derivative counterparty credit rating.

⁽²⁾ Includes medium- and long-term senior debt issued before March 31, 2019, as well as debt issued on or after that date and excluded from the bail-in regime applicable to Desjardins Group.

⁽³⁾ Includes medium- and long-term senior debt issued on or after March 31, 2019, which can be converted under the internal recapitalization (bail-in) regime applicable to Desjardins Group.

A definition of the categories of each rating has been obtained from the respective credit rating agency's website and is outlined in Schedule A to this Annual Information Form. Further information may be obtained from the applicable credit rating agency.

Credit ratings are intended to provide investors with an independent assessment of credit quality of an issuance of securities. It is recommended that prospective securities purchasers consult the rating agencies to familiarize themselves with the interpretation and significance of the ratings shown above. The above ratings should not be construed as recommendations to buy, sell or hold the securities of these entities. Ratings may be revised or withdrawn at any time by the credit rating agencies. As is customary, the Federation paid fees to the aforementioned credit rating agencies for credit rating services rendered, and other rating agencies received fees for other services rendered during the last two financial years. The Federation expects to pay similar fees to them in the future.

Additional information on capital structure on pages 75-78 of the MD&A in the Annual Report and on page 172 of the notes to the consolidated financial statements in the Annual Report is incorporated herein by reference.

MARKET FOR SECURITIES

COVERED BONDS

In the context of the COVID-19 pandemic, the Canadian government, namely through the Bank of Canada, deployed several financing initiatives aimed at supporting the Canadian financial system by preserving a source of business financing. Among other things, on March 30, 2020, the Federation launched an issue of own-name covered bonds (self-held) at a variable rate in the amount of \$2.5 billion, in order to participate in the Bank of Canada's Term Repos program. The total amount of these covered bonds was pledged as collateral to the Bank of Canada under the program on March 31, with settlement on April 2, 2020 and will mature on September 30, 2021. On April 14, 2020, the Federation also issued own-name covered bonds (self-held) at a variable rate in the amount of \$1.5 billion, for purposes of participating in the Bank of Canada's Term Repos program. The total amount of these covered bonds was pledged as collateral to the Bank of Canada under the program on April 15 and 20, 2020 and will mature on April 14, 2023.

On September 24, 2020, the Federation issued covered bonds at a fixed rate for a total value of 500 million euros on the European market under its legislative covered bonds program. These covered bonds will mature on September 24, 2025 and are listed on the Irish Stock Exchange. In addition, on October 7, 2020, the Federation issued covered bonds at a fixed rate for a total value of US\$750 million on the U.S. market under its legislative covered bonds program. These covered bonds will mature on October 7, 2023 and are listed on the Irish Stock Exchange.

On December 21, 2020, the Federation filed a base shelf prospectus with the Irish Stock Exchange and the Central Bank of Ireland to have the covered bonds issued under its Legislative Covered Bond Program listed on the Irish Stock Exchange. This program was added to the registry of the Canada Mortgage and Housing Corporation on January 29, 2014.

NOTES

On February 10, 2020, the Federation issued US\$1.0 billion of fixed medium-term notes on the U.S. market through its multi-currency medium-term note program. Under their terms and conditions, these notes are subject to the recapitalization (bail-in) regime applicable to Desjardins and will mature on February 10, 2025.

On February 25, 2020, the Federation filed a base shelf prospectus with the Irish Stock Exchange and the Central Bank of Ireland to have the medium-term notes issued under its global multi-currency medium-term note program listed on the Irish Stock Exchange. This prospectus expired on February 24, 2021 and as such the Federation filed, on February 19, 2021, a base shelf prospectus with the Irish Stock Exchange and the Central Bank of Ireland to renew its global multi-currency medium-term note borrowing program and thereby list the medium-term notes issued under the prospectus on the Irish Stock Exchange.

On April 24, 2020, the Federation filed with the Canadian securities regulatory authorities a new short form base shelf prospectus for the Canadian NVCC subordinated notes program, for a maximum amount of CA\$3 billion, in order to permit the issuance in Canada of subordinated debt securities in accordance with the criteria of the *Ligne directrice sur les normes relatives à la suffisance du capital de base, Coopératives de services financiers* of the AMF relating to non-viability contingent capital ("NVCC").

On May 26, 2020, the Federation issued eligible NVCC fixed rate notes for the first time on the Canadian market under its Canadian NVCC subordinated notes program for a total value of \$1.0 billion. These notes will mature on May 26, 2030. The Federation's NVCC subordinated notes issued in Canada under its Canadian NVCC subordinated notes program are not listed on any exchange or similar market for trading securities.

On January 21, 2021, the Federation issued fixed-rate notes on the Canadian market under its Canadian medium-term notes program, which are subject to the internal recapitalization regime applicable to Desjardins, for a total value of \$1.0 billion. These notes will mature on January 21, 2026. The medium-term notes issued by the Federation in Canada under its Canadian medium-term note program are not listed on any stock exchange or similar market for securities. The Federation does not file a prospectus for the Canadian medium-term note program as it benefits from specific statutory exemptions in this respect.

In addition, during 2020, the Federation issued in the Canadian market, under its Canadian principal protected structured note program, several series of variable rate structured notes at a price of \$100 per note, for a total value of \$136 million. These structured notes will mature over a period of 1 year and 7 months to 7 years and 10 months and are not listed on any stock exchange or similar market for securities. The Federation does not file a prospectus for its Canadian structured note program as it benefits from specific statutory exemptions.

Finally, on February 3, 2021, the Federation filed with the Canadian securities regulatory authorities a new preliminary short form base shelf prospectus for the Canadian capital at risk medium-term notes program for a maximum amount of CA\$2 billion. The Federation plans to file the final short form base shelf prospectus for this program by the end of the first quarter of 2021.

Additional information on the Federation's financing programs on pages 75-77 of the MD&A in the Annual Report is incorporated herein by reference.

The following table shows, for the indicated periods of the fiscal year ended December 31, 2020, the range of market prices traded on the Irish Stock Exchange's Main Securities Market for corporate debt for the covered bonds issued by the Federation on November 25, 2015, May 30, 2018, January 30, 2019, September 26, 2019, November 26, 2019, September 24, 2020 and October 7, 2020 and for the medium-term notes issued by the Federation on January 20, 2015 and September 27, 2018. It should be noted that, as a result of the amalgamation, the Federation has become the issuer under the Caisse centrale securities issuance programs and must honor any securities issued by the Caisse centrale prior to the amalgamation, including those listed on the Irish Stock Exchange.

		Senior Debt matured on January 20, 2020 (EUR)	Covered bonds maturing on November 25, 2020 (EUR)	Senior Debt maturing on September 27, 2021 (EUR)	Covered bonds maturing on September 26, 2022 (USD)	Covered bonds maturing on May 30, 2023 (EUR)	Covered bonds maturing on October 7, 2023 ⁽¹⁾ (USD)	Covered bonds maturing on January 30, 2024 (EUR)	Covered bonds maturing on September 24, 2025 ⁽²⁾ (EUR)	Covered bonds maturing on November 26, 2027 (EUR)
2020										
JANUARY	HIGH	100.02	100.62	100.76	100.95	102.27		102.47		100.97
	LOW	100.00	100.60	100.66	100.14	101.86		101.89		99.19
	AVERAGE	100.01	100.61	100.71	100.36	101.99		102.09		99.84
FEBRUARY	HIGH		100.60	100.81	101.81	102.42		102.71		101.79
	LOW		100.57	100.75	100.55	102.15		102.31		100.50
	AVERAGE		100.58	100.77	100.88	102.26		102.48		101.06
MARCH	HIGH		100.60	100.85	103.19	102.60		102.93		102.50
	LOW		100.37	98.99	101.90	100.98		100.84		97.26
	AVERAGE		100.48	99.98	102.66	101.83		101.93		99.92
APRIL	HIGH		100.35	99.91	102.68	101.25		101.28		99.09
	LOW		100.25	99.35	102.49	100.68		100.55		97.34
	AVERAGE		100.30	99.74	102.56	100.94		100.86		98.00
MAY	HIGH		100.31	100.21	102.92	101.45		101.52		100.05
	LOW		100.29	99.90	102.57	101.23		101.23		98.94
	AVERAGE		100.30	100.02	102.74	101.30		101.35		99.50
JUNE	HIGH		100.33	100.48	103.10	101.92		102.17		101.24
	LOW		100.30	100.22	102.81	101.43		101.50		99.70
	AVERAGE		100.32	100.42	102.92	101.72		101.90		100.56
JULY	HIGH		100.33	100.57	103.21	102.03		102.33		101.75
	LOW		100.27	100.44	103.06	101.86		102.07		100.95
	AVERAGE		100.30	100.51	103.11	101.92		102.17		101.31
AUGUST	HIGH		100.27	100.58	103.32	102.05		102.38		101.81
	LOW		100.20	100.55	103.07	101.91		102.18		101.20
	AVERAGE		100.24	100.56	103.17	101.99		102.29		101.52
SEPTEMBER	HIGH		100.21	100.64	103.18	102.20		102.58	101.95	102.18
	LOW		100.14	100.58	103.05	102.02		102.34	101.84	101.45
	AVERAGE		100.17	100.61	103.11	102.12		102.48	101.89	101.91
OCTOBER	HIGH		100.13	100.66	103.08	102.25	100.07	102.69	102.20	102.67
	LOW		100.06	100.62	102.98	102.15	99.89	102.54	101.87	102.04
	AVERAGE		100.10	100.64	103.03	102.20	99.96	102.62	102.04	102.37
NOVEMBER	HIGH		100.05	100.64	103.05	102.25	100.16	102.69	102.17	102.58
	LOW		100.00	100.59	102.86	102.11	99.80	102.50	101.84	101.97
	AVERAGE		100.02	100.62	102.92	102.15	99.91	102.57	102.01	102.33
DECEMBER	HIGH			100.61	103.24	102.16	100.24	102.62	102.20	102.73
	LOW			100.52	102.84	102.00	100.11	102.41	101.87	102.23
	AVERAGE			100.59	103.00	102.08	100.16	102.51	102.02	102.43

⁽¹⁾ Issue completed on October 7, 2020.

⁽²⁾ Issue completed on September 24, 2020.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The following table shows, as at the date of this Annual Information Form, the name, the province and country of residence, the position held with Desjardins Group, the principal positions held by each director of the Federation during the past five years as well as the period or periods during which each director has served as a director and the committees or commissions on which each director sits. Except for the President and Chief Executive Officer of Desjardins Group, directors are elected for a three-year term and may be re-elected provided they remain a director of their *caisse*. A limit of four consecutive or cumulative terms of office applies under the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)*. Director terms expire at the end of the annual general meeting of members. In accordance with the enhanced collective profile which sets the skills and competencies sought out to sit on the Board, the Board of Directors co-opts four independent directors, who are neither directors nor managers of *caisses* and who have a one-year term which is renewable for a maximum period of 12 years. The members of the Board of Directors of the Federation are the same as those of Desjardins Capital Inc., Desjardins Technology Group Inc. and Desjardins Trust Inc., with the addition of Éric Landry, President and chief executive officer, who is a director of Desjardins Trust Inc.

The President and Chief Executive Officer of Desjardins Group is elected for a term of four years and may be re-elected for another term of four years. Mr. Cormier's second term of office officially began after the annual general meetings of Desjardins Group on March 28, 2020.

In March 2020, due to the exceptional context caused by the global pandemic and the measures issued by government authorities prohibiting public gatherings and faced with the impossibility of electing directors to the Board of Directors, the terms of office of all elected directors of the Federation, with the exception of the President and Chief Executive Officer of Desjardins Group, and the members of the Board of Ethics and Professional Conduct were extended by an additional year in accordance with the AFSC. The terms of office of co-opted directors were renewed in 2020 for a new one-year term.

Name, province and country of residence	Position held within Desjardins Group	Positions within the Federation and principal positions (during the last five years)	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
BABINEAU, Louis, DBA, ASC ⁽²⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins de Sainte-Foy</i> Chair of the Board of Directors of <i>Développement international Desjardins inc.</i>	Professor, Project Management, UQAR, Lévis campus	2016-04-09 2019-03-30	2019-03-30 2023
BAILLARGEON, Lisa, PhD., MBA, CPA, Adm. A ⁽²⁾⁽⁴⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins Charles-LeMoigne</i>	Director, <i>Institut du Patrimoine</i> , UQUAM Full Professor ESG-UQUAM Formerly (last five years): Vice-Dean of Studies at ESG-UQUAM Director, Department of Accounting Sciences ESG-UQUAM	2019-03-30	2023
BÉLANGER, Benoît, MBA ⁽⁵⁾⁽⁷⁾ Quebec, Canada	General Manager of <i>Caisse Desjardins des Bois-Francs</i>	General Manager, <i>Caisse Desjardins des Bois-Francs</i>	2017-03-25	2021-03-26

Name, province and country of residence	Position held within Desjardins Group	Positions within the Federation and principal positions (during the last five years)	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
CHARBONNEAU, Johanne, FCPA, FCGA, MBA, C. Dir. ⁽²⁾⁽⁹⁾ Ontario, Canada	N/A President of the Audit and Inspection Commission	Retired from the telecommunications sector Formerly (last five years): Vice-President and Chief Financial Officer of CBC/Radio-Canada (national public broadcaster)	2019-04-18 2020-03-11	2020-03-11 2021-03-11
CHEVALIER, Carole ⁽¹⁾⁽³⁾⁽⁷⁾⁽⁸⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins de l'Est de Trois-Rivières</i> Chair of Desjardins Group Investment Commission	Retired from the community sector Formerly (last five years): General Manager, <i>Centre d'action bénévole du Rivage</i> (non-profit organization)	2011-03-26 2014-03-28 2017-03-25	2014-03-28 2017-03-25 2021-03-26
CORBEIL, Stéphane, CFA, MBA ⁽²⁾⁽⁷⁾ Quebec, Canada	Vice-Chair of the Board of <i>Caisse Desjardins du Nord de Laval</i> Chair of the Board of Directors of <i>Fonds de sécurité Desjardins</i>	President of TERIS Corporation (horticultural supply services) and President of <i>Club Voyages Dumoulin</i> (travel agency)	2016-04-09 2018-03-24	2018-03-24 2022
CORMIER, Guy, MBA ⁽¹⁾⁽³⁾⁽⁴⁾ Quebec, Canada	President and Chief Executive Officer of Desjardins Group Chair of the Board of the Federation Chair of the Executive Committee of the Federation Chair of the Human Resources Commission of the Federation Chair of the Board of Desjardins Financial Security Life Assurance Company	President and Chief Executive Officer, Desjardins Group Formerly (last five years): Senior Vice-President, Cooperative Network and Personal Services and Senior Vice-President Finance, Caisse network	2016-04-09 2020-03-28	2020-03-28 2024
CORRIVEAU, Sonia, MBA ⁽²⁾⁽⁹⁾ Quebec, Canada	N/A	Chief Business Transformation Officer, VIA Rail Canada (rail carrier of passengers)	2020-06-10	2021-06-10
DORÉ, Michel, BBA ⁽⁶⁾ Quebec, Canada	Director, <i>Caisse Desjardins des militaires</i> Chair of the Risk Management Commission	Human resources and strategic planning officer, Finances, Bagotville Canadian Forces Base (Military Administration)	2018-03-24	2022
GRENIER, André, AGR ⁽⁵⁾⁽⁶⁾⁽⁷⁾ Quebec, Canada	Vice-Chair of the Board of <i>Caisse Desjardins de l'Érable</i>	Professional agrologist and agricultural business management consultant	2018-03-24	2022

Name, province and country of residence	Position held within Desjardins Group	Positions within the Federation and principal positions (during the last five years)	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
GROULX, Nadine ⁽¹⁾⁽⁴⁾⁽⁵⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins des Verts-Sommets de l'Estrie</i> Chair of the Cooperation and Culture Commission of the Federation	Agricultural entrepreneur, Ferme Miroc Inc.	2017-02-23 2018-03-24	2018-03-24 2022
HAWTHORN, Neil, MBA ⁽¹⁾ Quebec, Canada	General Manager, <i>Caisse Desjardins Saint-Eustache–Deux Montagnes</i>	General Manager, <i>Caisse Desjardins Saint-Eustache–Deux Montagnes</i>	2015-03-28 2018-03-24	2018-03-24 2022
JODOIN, Dominique, MBA, MSc. ⁽⁶⁾⁽⁹⁾ Quebec, Canada	N/A	President and Executive Director and co-founder of NoviFlow Inc. (networking and cybersecurity solutions)	2020-06-10	2021-06-10
JOURDAIN, Kateri C., BCom ⁽⁵⁾⁽⁷⁾ Quebec, Canada	Director, <i>Caisse populaire Desjardins de Sept-Îles</i>	General Manager, Immobilière Montagnaise S.E.C., Sept-Îles, Uashat (real estate management) Formerly (last five years): Director of Community Relations and Communications, Mine Arnaud inc., Sept-Îles (mining project management)	2019-03-30	2023
LAMOTHE, Marie-Josée, BSc ⁽⁵⁾⁽⁶⁾⁽⁹⁾ Quebec, Canada	N/A	Professor of Practice (Desautels Faculty of Management) and Executive Director of the McGill Dobson Centre for Entrepreneurship Formerly (last five years): Managing Director, Google Canada Executive Director (technology services)	2019-04-18 2020-03-11	2020-03-11 2021-03-11
LAPORTE, Jean-François, MBA ⁽²⁾ Quebec, Canada	Director, <i>Caisse Desjardins de la Pommeraie</i> Chair of the Board of Directors of Desjardins General Insurance Group Inc.	Retired from the industrial and manufacturing sector Formerly (last five years): Finance and Administration Director, Harbour Industries (Canada) Ltd. (manufacturing company)	2017-03-25	2021-03-26
MALTAIS, Camil ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins des Cinq-Cantons</i>	Agricultural entrepreneur Ferme Maltais enr.	2017-03-25	2021-03-26
QUELLET, Roch ⁽⁴⁾⁽⁶⁾ Quebec, Canada	Director, <i>Caisse Desjardins d'Amos</i>	Retired from the school sector	2017-03-25	2021-03-26

Name, province and country of residence	Position held within Desjardins Group	Positions within the Federation and principal positions (during the last five years)	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
ROUSSEAU, Serge ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁸⁾ Quebec, Canada	Director, <i>Caisse Desjardins du Carrefour des lacs</i> Vice-chair of the Board of the Federation Chair of the Corporate Governance and Responsible Finance Commission of the Federation Chair of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group	General manager, <i>CPE Parten-ciel</i> (Early Childhood Care Services)	2014-03-28 2017-03-25	2017-03-25 2021-03-26
TOURANGEAU, Michel, LLB, IAS ⁽¹⁾⁽³⁾⁽⁸⁾ Quebec, Canada	Director, <i>Caisse Desjardins du Centre-est de Montréal</i>	Lawyer and Partner Lapointe Rosenstein Marchand Melançon, L.L.P. (lawyer firm)	2017-03-25	2021-03-26
TREMBLAY, Marie-Eve, MSc, CRHA ⁽³⁾⁽⁸⁾ Quebec, Canada	Chair of the Board of <i>Caisse Desjardins du Quartier-Latin de Montréal</i>	Vice-chair of organizational transformation at Fondation (Investment Fund) Formerly (last five years): Managing Director, Neuvaction (consulting, coaching and training services)	2019-03-30	2023
TROTTIER, Stéphane, M. Erg. S. ⁽⁶⁾⁽⁷⁾ Ontario, Canada	Chair of the Board of Caisse Desjardins Ontario Credit Union Inc.	Ergonomist and owner of the firm <i>Facteurs Humains International</i> and owner of ErgonomicStuff.com (ergonomic solutions) Owner of RenaudVations Investments (renovations and real estate management) Formerly (last five years): Disability Prevention and Management, Desjardins Financial Security	2016-04-09 2019-03-30	2019-03-30 2023
VINET, Yvon, LLB, DDN. ⁽³⁾⁽⁸⁾⁽¹⁰⁾ Quebec, Canada	Director of <i>Caisse Desjardins de Salaberry-de-Valleyfield</i> Chair of the Desjardins Group Retirement Committee	Notary partner Les Notaires Lupien, Patenaude, Vinet, Gougeon, Monette inc. (notary firm)	2009-03-28 2012-03-31 2015-03-28 2018-03-24	2012-03-31 2015-03-28 2018-03-24 2022

- (1) Member of the Executive Committee of the Federation
- (2) Member of the Audit and Inspection Commission of the Federation:
 - o Benoit Bélanger, Michel Doré, Michel Magnan, and Robert St-Aubin are observers.
- (3) Member of the Human Resources Commission of the Federation.
- (4) Member of the Corporate Governance and Responsible Finance Commission of the Federation.
- (5) Member of the Cooperation and Culture Commission of the Federation:
- (6) Member of the Risk Management Commission of the Federation:
 - o Johanne Charbonneau, Neil Hawthorn, Claudia Champagne and Francine Côté are observers.
- (7) Member of the Desjardins Group Investment Commission:
 - o Bernard Morency and Normand Provost are observers.
- (8) Member of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.

- (9) Director co-opted by the Board of Directors for a one-year mandate renewable for a maximum period of 12 years.
- (10) Given the extension of the terms of office of all members of the Board, the total term of office of Mr. Vinet exceeds the maximum term of 12 years. His term of office will end at the end of the Federation's annual general meeting in 2022.

EXECUTIVE OFFICERS

The table below shows, as at the date of this Annual Information Form, the name, province and country of residence and position held within the Federation as well as the principal positions held by the executive officers of the Federation, both current and those of the past five years.

Name, province and country of residence	Position held within the Federation	Principal positions (last five years)
CORMIER, Guy Quebec, Canada	President and Chief Executive Officer of Desjardins Group Chair of the Board of Directors of the Federation	President and Chief Executive Officer of Desjardins Group
ROUSSEAU, Serge Quebec, Canada	Vice-Chair of the Board of Directors of the Federation	General Manager, <i>CPE Parc-en-ciel</i>
TOURANGEAU, Michel Quebec, Canada	Secretary of the Board of Directors of the Federation	Partner, Lapointe Rosenstein Marchand Melançon L.L.P.

Name, province and country of residence	Position held within the Federation and principal positions (last five years)
BELLEMARE, Réal Quebec, Canada	Senior Executive Vice-President and Chief Operating Officer Formerly (last five years): - Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group - Executive Vice-President, Operations and Performance, Desjardins Group
BOURGOIS, Jean-Yves ⁽¹⁾ Quebec, Canada	Executive Vice-President, Business Services Formerly (last five years): - Vice-President, Capital markets, Desjardins Group - Senior manager, Equity Markets, Desjardins Group,
CHAMPOUX, Francine Quebec, Canada	Executive Vice-President, Risk Management Formerly: - Chief Risk Officer, Desjardins Group
CORMIER, Marie-Huguette Quebec, Canada	Executive Vice-President, Human Resources and Communications Formerly (last five years): - Senior Vice-President, Marketing, Desjardins Group and Member/Client Experience and Communications Division, Desjardins Group
DUBOIS, Denis Quebec, Canada	Executive Vice-President, Wealth Management and Life and Health Insurance and President and Chief Operating Officer, Desjardins Financial Security Formerly (last five years): - Executive Vice-President, Property and Casualty Insurance, Desjardins Group, and President and Chief Executive officer of Desjardins General Insurance Group - Senior Vice-President and Chief Operating Officer, Desjardins General Insurance Group subsidiaries
DUHAIME, Johanne Quebec, Canada	Executive Vice-President, Information Technology - Vice-President, Information Technologies and Communications, Hydro-Québec - Director, Information and Communications Technology Governance, Hydro-Québec
LACHAÎNE, Éric Quebec, Canada	Executive Vice-President, Caisse Network and Member and Client Services Formerly (last five years): - Managing Vice-President, Development and Investment Solutions, Desjardins Group
LARUE, Nathalie Quebec, Canada	Executive Vice-President, Strategy, Marketing and Personal Services Formerly (last five years): - Vice-President, AccèsD and Vice-President, Business Solutions Development & Implementation, Desjardins Group

Name, province and country of residence	Position held within the Federation and principal positions (last five years)
LAVOIE, Valérie Quebec, Canada	Executive Vice-President, Property & Casualty Insurance and President and Chief Operating Officer, Desjardins General Insurance Group Formerly (last five years): - Vice-President, Member-client relations, Desjardins Group - Managing Director, Distribution and Member-client relations, Desjardins Group - Managing Director, Sales, Loyalty and Customer Service, Desjardins Group
LEPROHON, Alain Quebec, Canada	Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer Formerly (last five years): - Vice-President, Finance, Desjardins Group

⁽¹⁾ Was appointed on January 5, 2021. Until that date, Marie-Claude Boisvert was Senior Vice President, Business Banking.

SECURITIES HELD BY DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Annual Information Form, none of the directors or executive officers holds or exercises any control, directly or indirectly, over any voting security of the Federation and its subsidiaries.

CEASE TRADE ORDERS OR BANKRUPTCIES

None of our directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years before the date of this Annual Information Form, a director, CEO or CFO of any company (including the Federation) that (1) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or (2) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as a director, CEO or CFO.

For the purposes of the paragraph above, “order” means any of the following, if in effect for a period of more than 30 consecutive days: (1) a cease trade order; (2) an order similar to a cease trade order; or (3) an order that denied the relevant company access to any exemption under securities legislation.

No director or executive officer of the Federation or shareholder holding a sufficient number of securities to materially affect the control of the Federation (1) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of the Federation or any other company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (2) has within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

PENALTIES OR SANCTIONS

As of the date of this Annual Information Form, neither the Federation nor its subsidiaries, nor any no director or executive officer of the Federation or a shareholder holding sufficient securities to materially affect the control of the Federation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority;
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered material by a reasonable investor making an investment decision.

With the exception of the decision of the *Tribunal administratif des marchés financiers* dated January 11, 2021, approving the agreement between the AMF and Desjardins Financial Services Firm Inc. (DFSF), a subsidiary of the Federation, and giving effect to the order proposed by the AMF, i.e. the imposition of an administrative penalty of \$1 million against DFSF in respect of certain contraventions to *Regulation 81-105 respecting Mutual Funds Sales Practices and Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

CONFLICTS OF INTERESTS

To the best of the knowledge of the Federation as of the date of this Annual Information Form, there are no existing or potential material conflicts of interest between the Federation and its directors, its executive officers or other officers or those of the Federation's subsidiaries. However, given that certain of the Federation's directors and officers serve as directors and officers of other companies a conflict of interests could arise, in certain circumstances, between their duties to the Federation and their duties as a director or officer of such other company. In particular, Marie-Ève Tremblay, member of the Board of Directors of the Federation, Desjardins Trust Inc., Desjardins Technology Group Inc. and Desjardins Capital Inc., holds an executive position with Fondaction, an investment fund primarily intended to provide financing to Quebec businesses. This position could put her in a conflict of interest position with respect to Desjardins' venture capital activities. See also "Transactions with Restricted Parties and Related Parties", "Directors and Executive Officers" and "Business Ethics" in this Annual Information Form.

LEGAL PROCEEDINGS

The Federation is party to various disputes and legal proceedings in the normal course of business. It is not possible at this time to assess the outcome of certain of these disputes and proceedings or when they might be resolved or their potential impact on the financial position of the Federation. In management's opinion, the fair value of any contingent liability arising from these disputes and proceedings, insofar as it may be measured, could have an impact on the results of the Federation for a given period, but would not have any significant adverse effect on its financial position.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the securities of the Federation is Desjardins Trust Inc., at its principal office in Montreal.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, Chartered Professional Accountants Partnership (PwC), is the independent auditor of the Federation and has, as such, prepared the auditor's report on the audited financial statements for the fiscal years ended December 31, 2020, and December 31, 2019, contained in the Annual Report. PwC has confirmed its independence with respect to the Federation within the meaning of the Code of Ethics of chartered professional accountants (Quebec).

ADDITIONAL DISCLOSURE

OUTSTANDING SECURITIES

The following table sets out, as at December 31, 2020, the number and value (in thousands of dollars) of the shares of the Federation that are issued and outstanding. The said shares are held in their entirety by the Quebec caisses and their members, and CDO.

Number of shares		Value
32,180	Qualifying shares	161
13,789,467	Class A Capital Shares	68,947
489,298,743	Class F Capital Shares	4,871,673 ⁽¹⁾
600,532,931	Class G Capital Shares	3,002,665
694,258,599	FIN5-A Capital Shares	916,974
47,856,914	INV Capital Shares	–
2,865,680	SER Capital Shares	23,395
		8,883,815

(1) Net of certain costs relating to the investment and caisse administration fees.

TRANSACTIONS WITH RESTRICTED PARTIES AND RELATED PARTIES

The AFSC contains a set of rules governing dealings between financial services cooperatives and restricted parties and establishes control mechanisms to ensure that these transactions are carried out in accordance with legislative requirements. The AFSC stipulates that the directors of a caisse or the Federation, their related parties and legal persons whose Board of Directors are composed, in the majority, of officers of a caisse or the Federation are restricted parties vis-à-vis financial services cooperatives. However, for purposes of these rules, the Federation and its member caisses, FSD and any other legal person or partnership controlled by a caisse or the Federation are not considered restricted parties with respect to each other.

Transactions and activities between a financial services cooperative and restricted parties must be carried out as if they were at arm's length and in accordance with the rules adopted by the Board of Ethics and Professional Conduct of the Federation. Certain transactions must be approved by the Board of Directors of the financial services cooperative.

Information on related parties on pages 83-84 of the MD&A in the Annual Report and on page 187 of the notes to the consolidated financial statements in the Annual Report is incorporated herein by reference.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Annual Information Form, except for the routine indebtedness (as such term is defined in the applicable securities legislation), there is no outstanding indebtedness to the Federation or its subsidiaries of current and former executive officers, directors or employees of the Federation or its subsidiaries, or associates of current and former directors and executive officers.

AUDITORS

In accordance with applicable legislation, each year the Federation appoints an accounting firm to act as its auditor. On March 28, 2020, public accounting firm PwC, 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec H3B 4Y1, was appointed auditor of Federation for the fiscal year ended December 31, 2020. PwC has been the Federation's auditor since 2007.

ADDITIONAL INFORMATION

Copies of documents incorporated by reference in this Annual Information Form may be obtained without charge and upon request to the Secretary General of the Federation, at 100 Des Commandeurs Street, Lévis, Quebec, G6V 7N5 (418-835-8444) or at www.sedar.com.

The Federation does not prepare an information circular. Information concerning compensation of directors and senior officers and loans made to them, if any, are presented in this Annual Information Form.

Additional financial information is provided in the Federation's comparative financial statements and MD&A in the Annual Report for its most recently completed fiscal year as well as in the Annual Report of Desjardins Group.

Additional information on the Federation is available on the SEDAR website at www.sedar.com (under the *Fédération des caisses Desjardins du Québec* profile). This site also includes information about Desjardins Group and the continuous disclosure filings of Desjardins Capital Inc. (under the Desjardins Capital Inc. profile). Additional information is available on Desjardins Group's Website at www.desjardins.com/ca/about-us/investor-relations, even though no information on this site is to be deemed incorporated by reference into this Annual Information Form.

STATEMENT OF THE FEDERATION'S EXECUTIVE OFFICER COMPENSATION

DESJARDINS GROUP COMPENSATION

Certain Desjardins Group components, namely the Federation and Desjardins Capital Inc., are subject to a number of obligations regarding the disclosure of executive compensation. Pursuant to *Regulation 51-102 Respecting Continuous Disclosure Obligations*, this Annual Information Form discloses the Federation's Named Executive Officers compensation.

COMPENSATION IN NORTH AMERICA'S LARGEST COOPERATIVE FINANCIAL GROUP

In 2020, Desjardins Group's executive compensation reflected the breadth of the organization's operations and its performance in terms of the experience offered to its clients and members as well as its growth and financial results. In July 2020, The Banker placed Desjardins at the top of the Canadian financial institutions group for its financial performance in 2019. According to the same prestigious monthly publication, due to its strength, Desjardins is the financial institution best positioned to face the economic consequences of the pandemic. Desjardins Group's positive impact on communities is real and recognized, as evidenced by its designation as the most generous large company according to Quebecers, following a survey conducted by the consulting firm Episode, as well as by its designation as *Entreprise par excellence* (250 employees or more) awarded by the Quebec section of the *Association des professionnels en philanthropie*.

Desjardins Group's commitment to always work in the interests of members and clients was expressed in the vast number of relief measures implemented to support members and clients most affected by the pandemic. Desjardins Group's leadership to boost economic recovery was particularly outstanding: the GoodSpark Fund was enhanced for total investments of \$250 million by 2024 in structuring projects for communities, programs to stimulate the local economy, non-repayable financial assistance for businesses, a tour of the chambers of commerce in all of the Quebec regions, etc.

Moreover, Desjardins Group had a solid financial performance despite the negative impacts associated with the COVID-19 pandemic. Assets and operating revenues increased in 2020, which in turn enriched the lives of individuals and communities with a return to members and communities of \$445 million for 2020.

Desjardins Group also maintained a very strong capitalization in accordance with Basel III rules, namely with a total capital ratio of 22.6%, up 1% since 2019. This high level of capitalization allows Desjardins Group to achieve its ambitions and support its investment projects. In this regard, substantial amounts were allocated to improving security and modernizing systems. Over the past year, the Desjardins Security Office was created. This pioneering initiative brings together some 900 experts from different backgrounds who are committed to strengthening Desjardins Group's practices to ensure the protection of its members and clients, their assets and their personal information.

Desjardins Group's financial strength enabled it to make major acquisitions in 2020: DuProprio, Purplebricks Canada, RénoAssistance and La Capitale's mortgage portfolio are now part of Desjardins. These additions will drive growth for the future.

Desjardins Group, North America's leading cooperative financial group, has undertaken numerous activities that demonstrate its cooperative nature and its commitment to sustainable, responsible and inclusive finance, including:

- Supporting more than 530 projects in connection with the GoodSpark Fund since its creation at the end of 2016. To date, \$123 million of the \$250 million available to this fund has been committed to initiatives related to Desjardins' socio-economic mission, particularly in the youth, environment, entrepreneurship and education sectors.
- The Community Development Fund contributed \$35.3 million to various community projects.

- More than 15,000 individuals and entrepreneurs were supported and nearly 464 jobs were created and maintained thanks to the three solidarity finance programs: Desjardins Mutual Assistance Fund, Desjardins Microcredit to Businesses and Créavenir.
- Committing to the fight against discrimination and promoting diversity by being one of the founding signatories of the Responsible Investment Association's Canadian Investor Statement on Diversity & Inclusion.
- Signing the BlackNorth Initiative and committing to achieving concrete targets in its recruiting, representativeness and sponsorship policies.
- Signing the United Nations Women's Empowerment Principles.
- Launching the Desjardins SocieTerra Diversity Fund, which invests in businesses that have a clear and demonstrable commitment to achieve strong female representation on their boards of directors and management committees.
- Launching the Aequitas impact fund to focus on financial inclusion of the populations of developing countries to strengthen gender equality and the fight against climate change and the achievement of other sustainable development objectives.
- Excluding fossil fuels from Desjardins SocieTerra Funds and Portfolios and extending their offering all across Canada.
- Being the first financial institution in North America to join the Powering Past Coal Alliance, Desjardins is withdrawing from the coal energy sector.
- Being the first financial institution in North America to sign the Tobacco-Free Finance Pledge, which was developed in collaboration with the United Nations Environment Programme Finance Initiative.
- Joining the Partnership for Carbon Accounting Financials (PCAF) to measure the greenhouse gas emissions generated by Desjardins's financing and investment activities using a recognized scientific method.
- Investing in renewable energy infrastructure projects: as at September 30, 2020, Desjardins Group and Desjardins Group Pension Plan have invested \$1.21 billion in the renewable energy infrastructure sector. That is approximately 44% of their infrastructure portfolio.
- Continuing work to strengthen the integration of environmental, social and governance criteria (ESGs) into its investment management processes, savings, financing, property management and responsible procurement offerings.

Quebec's largest private employer, with 48,930 employees, Desjardins is one of the 100 Best Employers in Canada and in the world in 2020, according to two annual surveys by Forbes magazine. For a 10th year, Mediacorp has placed Desjardins on the list of Canada's Top 100 Employers. This organization also recognizes Desjardins as one of the best employers for diversity, youth, work-life balance and those over 40.

Additional information on financial results is provided in the Federation's Annual Report for its most recently completed fiscal year, as well as in the Annual Report of Desjardins Group, available on the SEDAR website at www.sedar.com (under the profiles of the *Fédération des caisses Desjardins du Québec* and Desjardins Capital Inc.).

NAMED EXECUTIVE OFFICERS

For fiscal 2020, the Named Executive Officers of the Federation are:

- **Guy Cormier**
President and Chief Executive Officer of Desjardins Group
- **Alain Leprohon**
Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer
- **Réal Bellemare**
Senior Executive Vice-President and Chief Operating Officer
- **Denis Dubois**
Executive Vice-President, Wealth Management and Life and Health Insurance
- **Éric Lachaine**
Executive Vice-President, Caisse Network and Member and Client Services

DESJARDINS GROUP OVERALL COMPENSATION POLICY

Desjardins Group, Canada's leading cooperative financial group, operates in a highly competitive market. Its overall compensation policy is influenced by its need to recruit and retain talent to ensure its development as well as by its cooperative nature.

Like any responsible financial institution, Desjardins Group pays close attention to risk management in the interest of its members and clients. This is reflected in its overall compensation policy.

Desjardins Group's overall compensation policy applies to all employees of the Federation, its subsidiaries and its components. It takes into account specific salary surveys for the President and Chief Executive Officer among cooperative financial groups of comparable size to Desjardins Group in different countries as well as the median salary of the Canadian financial market for all other positions so as to recruit and retain the talent necessary for its development.

This policy was put to a "say on pay" vote of the delegates at the Federation's annual general meeting. Such a vote in the past paved the way for changes in the application of Desjardins Group's overall compensation policy to the President and Chief Executive Officer of Desjardins Group, whose compensation is now compared exclusively with cooperative financial groups of comparable size.

More specifically, the overall compensation policy of Desjardins Group aims to:

- describe the guiding principles on which Desjardins Group's overall compensation is based;
- provide a framework to guide the development and application of the overall compensation guidelines and rules while ensuring cross-sectoral consistency across Desjardins Group.

The guiding principles underlying this policy are divided into three broad categories:

- Desjardins Group alignment (particularly to reflect cooperative values, as well as the interest of members and clients);
- performance (to take into account, namely, the financial capacity and sustainability of Desjardins Group and to promote sound and prudent risk management of the various components of the overall compensation);
- talent management (talent attraction, mobilization and retention).

This policy was reviewed in 2016.

Employees with supervisory functions (risk management and compliance functions, as well as the Desjardins Group's Monitoring Office and the Security Office) are eligible for compensation based on the overall performance of the Desjardins Group rather than on the performance of the sectors they supervise to ensure sound independence. Their compensation is thus aligned with their role and does not promote excessive risk-taking and conflicts of interest.

MARKET ANALYSIS AND REFERENCE DATA

Market data used to establish compensation for the President and Chief Executive Officer were produced in 2019 by the firm Hexarem.

Market data used to establish compensation for executive officer positions were produced in 2020 by the firm Willis Towers Watson.

This data was drawn from the Canadian financial sector and from cooperative financial groups comparable in size to Desjardins Group, in accordance with the overall compensation policy. For the President and Chief Executive Officer position, the large financial cooperatives of comparable size to Desjardins Group are mainly found in Europe and the United States. Information on senior executive⁽¹⁾ compensation has been analyzed for the following organizations:

⁽¹⁾ Senior executives are: all senior officers, i.e. those at the Executive Vice-president level and above and all Vice-presidents.

**Peer Group: Cooperative financial groups
(specifically for the President and Chief Executive Officer position)
9 organizations**

CoBank	OP Financial Group
Crédit Agricole	Rabobank
Crédit Mutuel	Raiffeisen Group
Federal Farm Credit Banks	Raiffeisen Bank International
Groupe BPCE	

**Peer group: Canadian financial sector
(specifically for other Executive Officers)
40 organizations**

Affinity Credit Union	Connect First Credit Union	OMERS Administration Corporation
AIG Insurance Company of Canada	CPP Investment Board	Public Sector Pension Investment Board
Alberta Investment Management Corporation	Economical Mutual Insurance Company	Royal & SunAlliance Canada
Allstate Insurance Company of Canada	Healthcare of Ontario Pension Plan (HOOP)	Royal Bank of Canada
Alterna Savings and Credit Union	iA Financial Group	Scotiabank
Bank of Montreal	Insurance Corporation of British Columbia	Sun Life Financial
National Bank of Canada	Intact Financial Corporation	TD Insurance
Caisse de dépôt et placement du Québec	Ivari	The Co-operators Group Limited
Canadian Imperial Bank of Commerce	The Canada Life Assurance Company	The Empire Life Insurance Company
Canadian Western Bank Group	Laurentian Bank of Canada	Toronto-Dominion Bank
Central 1 Credit Union	Manulife Financial Corporation	UNI Coopération financière
CIBC Mellon	MasterCard Canada	Zurich Canada
Coast Capital Savings Credit Union	Meridian Credit Union	
Conexus Credit Union	Northbridge Financial Corporation	

JOB ASSESSMENT OF EXECUTIVE OFFICER POSITIONS

Internal relativity between executive officer positions is determined using the Hay Plan for job assessment and salary categories that apply to all senior executive positions at Desjardins Group. Job assessments for executive officers are submitted to the Human Resources Commission, which is responsible for establishing these evaluations. This vetting process aims to ensure internal equity.

OVERALL COMPENSATION FOR DESJARDINS GROUP'S SENIOR EXECUTIVES

The overall compensation for Desjardins Group's senior executives meets the following objectives:

- reflect Desjardins Group's cooperative nature and values;
- recognize the complexity of an integrated financial group and the resulting management scope;
- maintain a close link between performance and compensation that supports Desjardins Group's strategic and financial plan;
- have a short- and long-term vision that promotes the creation of economic value and sustainable development for Desjardins Group members and clients.

OVERALL COMPENSATION FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF DESJARDINS GROUP

There are two distinct functions to the position of President and Chief Executive Officer of Desjardins Group. The first, serving as President and Chief Executive Officer of Desjardins Group, the Federation and its subsidiaries, involves responsibilities similar to those of his peers from large financial institutions.

The second, serving as Chair of the Board, requires greater independence under governance requirements than the other senior executive positions. The Chair of the Board is responsible for Desjardins Group's evolution and sustainability from both financial and cooperative standpoints.

The compensation for this position was determined in such a manner that the President and Chief Executive Officer of Desjardins Group can exercise his independence from those who report directly to him and not be in a situation of conflict of interest with respect to these individuals. That is why no long-term compensation plan is provided for the President and Chief Executive Officer of Desjardins Group. Furthermore, his compensation also takes into account the limited duration of his term.

Finally, the overall compensation for the President and Chief Executive Officer of Desjardins Group is established so as to reflect the complexity of managing a cooperative financial group and maintain a sufficient distinction between

his compensation and that of other Desjardins Group employees while remaining within the median for cooperative financial groups of comparable size.

The Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group is mandated to analyze the ongoing progress of the President and Chief Executive Officer of Desjardins Group against his current year objectives, measure his annual compensation accordingly and recommend objectives for the upcoming year. Its members meet at least three times per year and report directly to the Board of Directors in an in-camera session.

OVERALL COMPENSATION GOVERNANCE AND RISK MANAGEMENT

Several years ago, Desjardins Group implemented rigorous overall compensation corporate governance practices, which are built around the responsibilities of the following bodies.

Board of Directors

The Board of Directors is responsible for determining Desjardins Group's overall compensation policy, establishing annual objectives, and annually assessing the President and Chief Executive Officer of Desjardins Group.

The Board is also responsible for the annual change of the overall compensation of senior executives who are members of the Management Committee and of all employees. This involves performing annual salary reviews, setting objectives and assessing the results of the general incentive plan. It also provides a framework for all individual incentive plans that apply to Desjardins Group's sales and investment personnel.

Every year, the incentive plans are first analyzed by the Risk Management sector in order to identify any item that could induce excessive risk-taking.

All these plans entitle the Board of Directors to choose to adjust grants or payments under exceptional circumstances. The Board did not exercise this right in 2020.

As needed, the Board enlists the services of an independent expert for the performance of its work.

Human Resources Commission

The Human Resources Commission is made up of the President and Chief Executive Officer of Desjardins Group and of five other members of the Board of Directors, namely: Serge Rousseau, Michel Tourangeau, Carole Chevalier, Marie-Eve Tremblay and Yvon Vinet. Except for the President and Chief Executive Officer, all of its members are independent directors.

The Human Resources Commission is responsible for making recommendations to the Board of Directors with respect to all aspects of overall compensation for all Desjardins Group employees and managers other than the President and Chief Executive Officer of Desjardins Group.

This Commission also enlists the services of an independent expert, as needed, for the performance of its work.

For details on the skills and expertise of the members of the Human Resources Commission, please see the Corporate Governance section of the Annual Report.

Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group

The Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group consists of five members. Other than the President and Chief Executive Officer of Desjardins Group, the members are the same members as the Human Resources Commission. The Chair of the committee is Serge Rousseau.

These individuals define the remuneration, working conditions, annual objectives and year-end annual evaluation (performance evaluation) of the President and Chief Executive Officer. This Committee carries out a mid-year progress review of achievements against the target objectives. At year-end, the Committee Chair consults with members of the Board of Directors on their assessment of the President and Chief Executive Officer's performance

for the year and on the objectives for the coming year. The process then calls for committee members to agree on a recommendation for the Board of Directors on the evaluation of the President and Chief Executive Officer's performance and the proposed objectives for the coming year. The President and Chief Executive Officer is then expected to exchange with the members of the Board of Directors. Then, in camera, the Committee Chair presents the recommendations on the performance of the President and Chief Executive Officer and the objectives for the next year to the members of the Board of Directors. The members of the Board of Directors discuss the recommendations and make their decisions.

As needed, this committee also enlists the services of an independent expert for the performance of its work.

Compensation consulting or advisory services

Where necessary, support from external advisors is provided to the members of the Board of Directors, the Human Resources Commission and the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group for matters related to overall compensation.

In 2020, the services of the firms Willis Towers Watson, Hexarem and Korn Ferry were used. These firms have supported Desjardins Group with regard to overall compensation for several years.

In 2020, these firms billed Desjardins Group fees of \$204,376 for carrying out their services. In addition to covering work related to executive compensation, these fees namely cover work related to the fixed compensation (base salary) and the annual incentive plan as well as specific surveys for different divisions of the organization.

The following table shows the fees billed to Desjardins Group by these firms for the last two fiscal years.

Consultant	2020			2019		
	Executive officer compensation* – Related fees	Other fees	Total	Executive officer compensation* – Related fees	Other fees	Total
Willis Towers Watson	\$61,738	\$126,168	\$187,906	\$0	\$128,763	\$128,763
Hexarem	\$0	\$13,950	\$13,950	\$31,031	\$0	\$31,031
Mercer	\$0	\$0	\$0	\$0	\$27,300	\$27,300
Korn Ferry	\$0	\$2,520	\$2,520	\$0	\$2,115	\$2,115

* Executive compensation mandates encompass all members of senior management, not just named executive officers.

Specific actions to limit risks related to compensation

The risk management sector validates and comments on all incentive plans, general or individual, to ensure consistency with the Risk Appetite Framework prior to their recommendations to appropriate bodies. The consideration of material risks in incentive compensation, including reputational, credit and market risk, allows for sound risk management across the organization. For this purpose, calibrated risk-taking indicators such as net promoter scores, surplus earnings and return on capital are the key measures used in the incentive compensation of employees and managers. The indicators comprising the incentive plans, as well as their calibration and weighting, are reviewed annually by plan sponsors, risk management, compliance and human resources.

In addition, with respect to senior executives, with the exception of the President and Chief Executive Officer, all incentive plans provide, consistent with the desire to promote sound risk management over more than one year, for a significant portion of the participants' annual bonus to be deferred over the medium or long term. The amounts so deferred may vary annually based on Desjardins Group's overall performance.

Thus, this deferral mechanism applies to all material risk takers⁽¹⁾ who are senior executives, except the President and Chief Executive Officer.

This formula encourages key stakeholders to adopt a long-term development view for Desjardins Group, which always benefits members and clients for whom the sustainability of Desjardins Group is both fundamental and reassuring.

Particular attention has been given to overall compensation of members of the Management Committee, and specifically that of the President and Chief Executive Officer, to avoid any significant risk resulting from their compensation. Members of the Human Resources Commission and the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group have exercised great care in this respect. Every year they have the opportunity, to specify their expectations for the coming year and recommend any corrective measure deemed necessary.

ANALYSIS OF OVERALL COMPENSATION COMPONENTS

Executive compensation, as well as the compensation of the majority of other material risk takers, is determined based on the market value of the work performed, internal pay relativity and the level of individual performance on the job. The overall compensation of executives includes a base salary as well as short- and long-term incentive plans, to which are added fringe benefits, a pension plan and job expenses.

These items are summarized in the table below:

Components		Objectives	
Direct compensation (in cash)	Base salary	<ul style="list-style-type: none"> Recognition of responsibilities, skills, competencies and experience 	
	Variable compensation (at risk)	Annual bonus	<ul style="list-style-type: none"> Value creation for members and clients Recognition of Desjardins Group results and individual performance⁽²⁾
		Mid-term and long-term compensation⁽³⁾	<ul style="list-style-type: none"> Creation of sustainable values for the whole Desjardins Group Retention
Indirect compensation	Pension plan and fringe benefits	<ul style="list-style-type: none"> Maintenance of adequate revenue at retirement Adequate protection in case of death, disability or illness 	
	Job related expenses	<ul style="list-style-type: none"> Required for business purposes Linked to the position's status 	
Target positioning for overall compensation			
Employees		<ul style="list-style-type: none"> 100% of the median for the Canadian financial sector 	
Managers (levels 1 to 5)		<ul style="list-style-type: none"> 100% of the median for the Canadian financial sector 	
Managers (levels 6 and up)		<ul style="list-style-type: none"> 95% of the median for the Canadian financial sector 	
Vice-Presidents		<ul style="list-style-type: none"> 85% of the median for the Canadian financial sector 	
Executive Vice-Presidents		<ul style="list-style-type: none"> 85% of the median for the Canadian financial sector 	
President and Chief Executive Officer		<ul style="list-style-type: none"> 100% of the median for cooperative financial groups of comparable size 	

(1) Material risk takers are defined further in this section.

(2) For executives, individual performance is used to qualify for the annual bonus.

(3) The mid- and long-term compensation applies exclusively to members of the Management Committee with the exception of the President and Chief Executive Officer of Desjardins Group.

DESCRIPTION OF COMPONENTS OF OVERALL COMPENSATION OF EXECUTIVE OFFICERS

Base salary

The base salary of the executive officers is reviewed annually. Individual performance, level of responsibility and experience are all taken into consideration so that the compensation of each officer reflects his or her work contribution.

Individual objectives are set for each executive officer. These objectives are of a strategic and/or financial nature and are based on the annual objectives of the President and Chief Executive Officer of Desjardins Group.

Their performance is reviewed by the Human Resources Commission and the outcome of the review is used for salary reviews.

Annual General Incentive Plan

The general incentive plan for senior executives of Desjardins Group and all employees is designed to recognize the contributions of participants to the achievement of the objectives supporting Desjardins Group's strategic and financial plan, which will generate short- and medium-term results.

The plan is comprised of indicators based on, and applicable to, all of Desjardins Group to ensure cohesion and alignment with priority objectives. The plan supports Desjardins Group's ambition to act as one large team. All employees share the same goals of value creation and culture building for members and clients, as well as performance and growth.

Executives are only granted an annual bonus under the following conditions:

- the overall profitability trigger defined at the beginning of the year for Desjardins Group is met; and
- a sustained level of individual performance is achieved.

For other Desjardins Group employees⁽¹⁾, a multiplier based on annual performance appreciation impacts the value of the annual bonus awarded.

Annual General Incentive Plan indicators for 2020

(applicable to all managers and employees of Desjardins Group, including senior management and all other material risk takers)

2020 Indicators Desjardins Group - single level	Relative weight
Member and client experience <ul style="list-style-type: none">• NPS – Desjardins Group Interactions⁽²⁾• NPS – Industry comparative⁽³⁾• Deployment of the new NPS approach (temporary indicator)	45%
Performance <ul style="list-style-type: none">• Net surplus earnings• Return on capital• Gap between income growth and expense growth	35%
Growth <ul style="list-style-type: none">• Variation in number of members• Variation in number of products held by members• Growth of insurers – premium volume	20%

⁽¹⁾ The multiplier does not apply to the following employees: caisse General Directors (GD), Desjardins Business Centre Directors (DBCD), Signature Service Directors (SSD), Vice-Presidents (VPs), Executive Vice-Presidents (EVPs) and President.

⁽²⁾ The Net Promoter Score (NPS) - Desjardins Group Interactions measures the intention of members and clients to recommend Desjardins following an interaction with Desjardins.

⁽³⁾ The comparative industry NPS measures the likelihood of a client recommending their primary financial institution or insurer. This study enables us to determine Desjardins Group's position in the market relative to its main competitors and to track this position over time.

Each of these indicators is associated with a specific weighting that reflects its relative importance in the general incentive plan. Targets are established for each indicator (threshold, target and maximum). The level to which each indicator is achieved determines the applicable bonus percentage for that indicator (between 0% and 150% of the target bonus). The overall achievement level (total bonus) is determined using the weighted sum of the bonus percentages for all indicators in the above table.

In 2020, the overall achievement level was 80.70% of the target.

Rules for establishing Annual Incentive Plan objectives

The annually established objectives must comply with the following rules set forth by the Board of Directors of Desjardins Group:

	Rules
Trigger	<ul style="list-style-type: none"> Defined based on Desjardins Group's net surplus earnings objective and represents Desjardins Group's overall profitability threshold at which a payment is possible.
Target	<ul style="list-style-type: none"> Level required for budget achievement; this corresponds to an ambitious challenge, which can be attained with sustained effort
Threshold and maximum	<ul style="list-style-type: none"> The range above and below the target need not be symmetrical.
Threshold	<ul style="list-style-type: none"> Level from which performance is deemed sufficient to justify bonus payment.
Maximum	<ul style="list-style-type: none"> Target significantly exceeded; this corresponds to exceptional results, while still being a potentially attainable goal.
Objectives	<ul style="list-style-type: none"> Strategic and financial objectives resulting from Desjardins Group's strategic/ financial plan and consistent with our cooperative difference. Well defined (unequivocal), measurable and quantifiable. Consistent among themselves and from year to year.
Supporting information	<ul style="list-style-type: none"> Historical for each performance indicator. Summary written documentation of the steps taken to establish the threshold, target, and maximum objectives retained. Financial validation: <ul style="list-style-type: none"> - Amount of bonus if only thresholds are achieved for all indicators (assuming that the financial trigger is met); - Amount of bonus if all indicator maximums are achieved.
Finance	<ul style="list-style-type: none"> Mandatory target bonus budgeting. All objectives linked to profitability or performance must be "net of the payment of bonuses".

Bonus payment

The annual bonus established for the reference year is paid at the beginning of the following year, after the results are approved by the Board of Directors of the Federation.

For Desjardins Group senior executives, only 60% of the annual bonus awarded is paid and the remaining 40% is deferred for a three-year period. The 40% deferred portion may increase or decrease throughout the three-year deferral period.

This:

- extends the time horizon of the Desjardins Group senior executive compensation package in a manner that appropriately reflects their influence on Desjardins Group's overall long-term performance;

- is aligned with the Financial Stability Board's Principles and Standards for Sound Compensation Practices to limit incentives awarded for excessive risk-taking;
- corresponds to general practices in the Canadian capital market.

Until 2018, Desjardins Group's net surplus earnings indicator was used to determine the change in the 40% deferred portion of the annual bonus.

Since 2019, this change of the 40% deferred portion of the annual bonus is based on the overall performance of Desjardins Group. The indicator used to determine annual overall performance is the result of the overall incentive plan, which is brought within a range of 80% to 120%.

The deferred portion is paid only at the end of the three-year period following the date of grant of the annual bonus.

Long-Term Incentive Plan

Only members of the Desjardins Group Management Committee, with the exception of the President and Chief Executive Officer of Desjardins Group, participate in a Long-Term Incentive Plan referred to as the "*Partenariat Carrière Desjardins*" (PCD). This plan is established based on an indicator related to the overall performance of Desjardins Group.

Through the PCD, overall compensation based on internal and external equity is balanced and the time horizon of the compensation package is extended, which helps maintain ambitions and development strategies of Desjardins Group without inducing excessive risk-taking.

Each year, PCD participants are awarded an amount that subsequently evolves (either up or down) depending on Desjardins Group's overall performance. The bonus generated by the Long-Term Incentive Plan only becomes payable upon retirement.

A bonus percentage is determined for each executive officer based on their position. If the trigger for Desjardins Group's net surplus earnings objective is met, this percentage is paid into the participant's individual account balance. Otherwise, no amount is paid.

The change in this individual account is based on the overall performance of Desjardins Group. The indicator used to determine annual overall performance is the result of the overall incentive plan, which is brought within a range of 80% and 120%.

INCENTIVE PLAN FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF DESJARDINS GROUP

As President and Chief Executive Officer of Desjardins Group, Guy Cormier participates in a plan designed specifically for him.

Annual Incentive Plan

The annual incentive plan of the President and Chief Executive Officer of Desjardins Group is determined by the Board of Directors on the recommendation of a Board committee, which comprises directors who are independent from management. The decision regarding this plan is made in camera by the independent directors.

According to the short-term incentive plan applicable to him, Mr. Cormier is entitled to an annual bonus if the trigger is reached. His plan is subject to the same trigger as that applicable to the general incentive plan for all other Desjardins Group employees. This trigger is based on Desjardins Group's objective of net surpluses. At the target, his annual bonus is equal to 100% of his salary. The maximum payout is equivalent to 150% of his salary.

This plan is based on the performance of a few priority targets in Desjardins Group's strategic planning. The quantitative criteria specific to the role of president are indicators drawn from the general incentive plan for all other Desjardins Group employees. For the sake of fairness and solidarity, the final result of his plan cannot exceed that of the general incentive plan applicable to Desjardins Group employees.

Long-Term Incentive Plan

The President and Chief Executive Officer of Desjardins Group is not eligible for the Long-Term Incentive Plan offered to Desjardins Group's other members of the Management Committee. Instead, the Board of Directors preferred to complement the President and Chief Executive Officer's overall compensation by enhancing the pension associated with the position. This increase, equal to 75% of his base salary, contributes to achieving the target positioning for the overall compensation policy objective of 100% of the median for cooperative financial groups of comparable size.

BENEFITS UNDER PENSION PLANS

Desjardins Group Pension Plan (DGPP)

The Named Executive Officers, excluding the President and Chief Executive Officer, are members of the DGPP. This pension plan was created for all employees, managers and senior executives of Desjardins Group. The DGPP is funded and administered by a Pension Committee consisting of members representing employers and employees.

Under this plan, according to the years of service, members are entitled to receive the following pension benefits:

Features	For service		
	Before 2009	From 2009 to 2012	As of 2013
PENSION FORMULA			
- Pension formula (per year of credited service)	1.3% of average salary up to average MPE + 2.0% of excess	1.5% of average salary up to average MPE+ 2.0% of the excess	1.5% of average salary up to average MPE+ 2.0% of the excess
- Average salary	Average salary of the 5 best-paid years	Average salary of the 5 best-paid years	Average salary of the 8 best-paid years
- Salary recognized for the purposes of the plan	Base salary		
- Average Maximum Pensionable Earnings (MPE)	Average MPE under the Quebec Pension Plan (or the Canada Pension Plan) for the year and the 4 previous years		
RETIREMENT AGE			
- Normal retirement age	Age 65		
- Possibility of early retirement	From age 55		
- Criteria for unreduced pension	Age 57 + sum of age and years of service= 85 points	Age 62	Age 62
PENSION INDEXATION			
- After retirement	Annually, based on increase in CPI, subject to a maximum of 3% per year	Annually, based on increase in CPI, subject to a maximum of 3% per year	Annually from age 65 to age 75, based on increase in CPI, subject to a maximum of 1% per year
BENEFIT IN CASE OF DEATH AFTER RETIREMENT			
- Normal form	60% joint and survivor life annuity guaranteed for 10 years or Life annuity guaranteed for 15 years	60% joint and survivor life annuity guaranteed for 10 years or Life annuity guaranteed for 15 years	Life annuity guaranteed for 10 years

The total pension may not exceed the maximum pension permitted by the *Income Tax Act* (Canada).

DGPP costs are shared by the employer and employee in the proportions of 65% and 35%, respectively, up to the maximum set out in the plan regulations.

Supplemental Pension Plan

The Named Executive Officers and the majority of material risk takers, except the President and Chief Executive Officer, are members of an unfunded Supplemental Pension Plan the cost of which is borne entirely by the employer. Under this plan, designated participants are entitled to a supplemental pension equal to the difference between the pension that would be payable without the ceiling imposed by the *Income Tax Act* (Canada) and the pension actually payable under the DGPP.

The normal retirement age is 65. However, members may take early retirement from age 55. The supplemental pension paid is not indexed.

PENSION PLAN FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF DESJARDINS GROUP

As President and Chief Executive Officer of Desjardins Group, Guy Cormier does not participate in the basic plan (DGPP) or the Supplemental Pension Plan for Named Executive Officers, during his term of office as President.

His pension plan, specifically applicable to the years of his term of office, consists of a defined benefit supplemental pension plan which equals, for each year credited, to 1.5% of his average salary during his term of office as president up to the average maximum pensionable earnings of the last five years, plus 2.0% of the excess amount, without regard to the maximum pension permissible under the *Income Tax Act* (Canada).

In addition, in lieu of a long-term incentive plan, the Board of Directors opted instead to complement his overall compensation by enhancing his pension. This annual addition to his pension has an actuarial value equivalent to 75% of his base salary and helps achieve the target positioning for the overall compensation policy objective of 100% of the median for cooperative financial groups of comparable size.

As for the years before his term of office as President, his accrued benefits under the previous pension plans were maintained.

OVERALL COMPENSATION INFORMATION FOR DESJARDINS GROUP FOR 2020⁽¹⁾

In 2020, the overall compensation paid to all Desjardins Group managers and employees was overall in line with its compensation policy guidelines.

Job category	Canadian financial market	
	Target objectives (according to the median)	Desjardins Positioning ⁽²⁾ (according to the median)
Employees	100%	103%
Managers (levels 1 to 5)	100%	103%
Managers (levels 6 and up)	95%	101%
Vice-Presidents	85%	87%
Executive Vice-Presidents	85%	86%

Job category	Cooperative financial groups of comparable size	
	Target objectives (according to the median)	Desjardins Positioning ⁽³⁾ (according to the median)
President and Chief Executive Officer	100%	100%

Difference between the overall compensation of the President and Chief Executive Officer and that of the average regular full-time Desjardins Group employee

The difference in overall compensation is verified each year by the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group. As a benchmark, in 2020, the ratio was a multiple of 36⁽⁴⁾ compared to the average full-time equivalent employee.

General incentive plan for executive officers for 2020

As summarized in the subsection “Annual General Incentive Plan” on the previous pages, the general incentive plan is based on the attainment of the various strategic and financial objectives set forth in the business plan for Desjardins Group. The plan comprises a single set of Desjardins Group objectives applicable to all senior executives in order to ensure teamwork and alignment around priority objectives.

In 2020, the results were as follows:

	Target objectives (budget)	Results for 2020	Trigger ⁽⁵⁾ (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	80.70%	Attained

⁽¹⁾ The overall compensation of the President and Chief Executive Officer of Desjardins Group is compared exclusively with cooperative financial groups of comparable size while the compensation of Executive Vice-Presidents is compared with the Canadian financial market, which also includes financial cooperatives.

⁽²⁾ The actual overall compensation is positioned every two years. This positioning is that of 2020.

⁽³⁾ The actual overall compensation is positioned every two years. This positioning is that of 2019.

⁽⁴⁾ The ratio is calculated based on: the overall annual compensation earned as President and Chief Executive Officer of Desjardins Group divided by the overall average compensation of a full-time equivalent employee (i.e., the overall cost of compensation for Desjardins Group excluding the president divided by the number of full-time equivalent employees).

⁽⁵⁾ In 2020, the trigger applied if the net surplus of Desjardins Group attained \$2,040 million.

In addition, under the general incentive plan, the amounts for prior years put in reserve (i.e., 40% of the annual bonus) fluctuated in 2020 according to an adjustment factor of 0.9228. It must be kept in mind that this reserve is “at risk” and may vary annually between 0.8 and 1.2 times its value based on overall performance of Desjardins Group.

2020 Long-Term Incentive Plan

This plan provides an annual grant only if the trigger for the annual general incentive plan is achieved. Otherwise, no amount is paid.

Since the trigger was reached in 2020, all planned grants (as a percentage of the annual salary of the executive officers) were awarded.

Compared to previously awarded amounts, the individual account balance of the participants varied in 2020 by an adjustment factor equivalent to 0.9228. This balance is at risk and may vary annually between 0.8 and 1.2 times its value based on Desjardins Group’s overall performance.

OVERALL INDIVIDUAL COMPENSATION PAID IN 2020 TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION

Overall 2020 compensation of the President and Chief Executive Officer of Desjardins Group

Guy Cormier

Incentive compensation for the President and Chief Executive Officer of Desjardins Group is triggered when an annually determined trigger is met. In 2020, the trigger was for Desjardins Group's net surplus earnings to reach \$2,040 million. This trigger threshold was attained.

Objectives and achievements of the President and Chief Executive Officer of Desjardins Group for 2020

Under the leadership of its President and Chief Executive Officer, Desjardins Group stood out as a leader in managing the COVID-19 pandemic. In March 2020, while Canada implemented important measures to limit the spread of the virus among employees and with our members and clients, Desjardins was one of the first financial institutions to offer relief measures to its members and clients most affected: deferrals of payments, reductions in certain interest rates on credit cards, refunds of insurance premiums, last-resort loans, reimbursement of fees for members exceeding the number of transactions allowed in their package, etc. – Desjardins has demonstrated leadership and proactivity in managing the situation. Throughout Desjardins Group, more than 342,000 requests were processed to ease the financial burden on members and clients. In addition, there are 2.1 million insureds who have received a rebate on their auto insurance premium. This proactivity and benevolence led to Desjardins being one of the three financial institutions in North America recognized by the United Nations as a responsible institution in the context of COVID-19 in April 2020. At the same time, Desjardins was also designated by Quebecers as the financial institution that best managed the COVID-19 situation, as part of a comprehensive study conducted by Lanla, a leader in marketing research in Quebec.

Instilling in his troops the need to act quickly for the benefit of members and clients, the President and Chief Executive Officer led the organization to a major transformation in the span of few weeks. More than 80% of the workforce, 40,639 employees, started working from home to ensure business continuity by applying the highest information security standards and adhering to health regulations. For activities that could not be carried out remotely, nothing has been neglected in the implementation of health measures and in the setting up of the various establishments to ensure the safety of staff and members and clients.

As an inspiring leader, the President and Chief Executive Officer has kept employees highly motivated throughout this difficult year, especially on a human level. The implementation of recognition measures, combined with his numerous interventions with staff, particularly the many online web conferences, and his reassuring speech, helped maintain the engagement rate above 83%.

Under his lead, the caisses held extraordinary general meetings in virtual mode. This colossal work, a major first, realized over a short period of time, allowed members to exercise their right to vote, despite the pandemic, and thereby trigger the payment of the member dividend. This innovation resulted in a record participation by members in the democratic life of their financial cooperative. During this more difficult period, \$317 million was returned to members as individual dividends and \$47 million was paid to the Community Assistance Fund to support structuring projects.

The particular context did not hinder the deployment of technological innovations aimed at enhancing the member and client experience. New digital mortgage solutions and credit card management features have been made available on AccèsD. In 2020, the use of virtual channels reached new heights: 1.3 billion financial transactions were made on the AccèsD Internet and mobile platforms, an increase of 31% compared with 2019.

As a priority for the President and Chief Executive Officer, Desjardins Group has continued initiatives aimed at strengthening its member and client culture. The design of the *Fondements de Desjardins* training path has been completed. All Desjardins Group managers followed this training in 2020, and it will now be deployed to all 48,000 employees in 2021 and all 2,800 directors in 2022.

In addition, as of January 2020, under his leadership, Desjardins Group set up the Desjardins Security Office to continue implementing best practices in information security and personal information protection. In the same vein, the Desjardins Security Intelligence Centre was launched to share the experience and expertise of many experts in cybercrime, fraud and financial crimes. These changes then led to the deployment of a comprehensive ongoing

awareness program to all employees, managers and directors in order to integrate best practices in security throughout the organization.

In 2020, Desjardins Group also continued its progress towards achieving parity at all levels of the organization by 2024. The percentage of women directors and caisse chairs, as well as women in senior management, has increased over the past year. Gender parity was maintained in the Desjardins Group Management Committee. In October, Catalyst Canada recognized the work of the President and Chief Executive Officer of Desjardins to build an inclusive work environment and his contribution to the advancement of women in the Canadian business world. His commitment to diversity and inclusion earned him one of four honorary awards of this organization.

Impact of these achievements on the incentive plan

Given Desjardins Group's results with regard to net surplus earnings and the foregoing achievements, the Board of Directors determined the results of his strategic objectives. This result triggered a bonus equal to 76.71% of his base salary.

Direct compensation for 2020

Guy Cormier

Components	2020 Awarded value
Base salary	\$1,131,341
Annual incentive plan	\$867,852
Total direct compensation	\$1,999,193

Pension Plan Enhancement Program

The President and Chief Executive Officer of Desjardins Group is not eligible for the Long-Term Incentive Plan offered to other executive officers.

Instead, the Board of Directors preferred to complement the overall compensation of the President and Chief Executive Officer of Desjardins Group by enhancing his pension. The enhanced pension provides for an annual addition to his pension payable upon departure, the actuarial value of which corresponds to 75% of his eligible salary.

This increase contributes to achieving the target positioning for the overall compensation policy objective of 100% of the median for cooperative financial groups of comparable size. In 2020, his pension plan enhancement amounted to \$817,673.

Overall 2020 compensation of the Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer

Alain Leprohon

In 2020, incentive plan results were detailed as follows:

	Target objectives (budget)	Results for 2020	Trigger (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	80.70%	Attained

The results attained earned Alain Leprohon a bonus equal to 72.63% of his eligible base salary.

In addition, he was granted \$143,424 under the Long-Term Incentive Plan. An amount of \$83,619 deferred in 2017 also vested, becoming payable after adjustments taking into account financial performance until the end of 2018 and overall performance of Desjardins Group as of 2019.

Direct compensation for 2020

Alain Leprohon

Components	2020 Awarded value
Base salary	\$471,424
Annual incentive plan	\$347,229 ⁽¹⁾
Long-term incentive plan	\$143,424 ⁽²⁾
Total direct compensation	\$962,077

- (1) The amount indicated represents the 2020 bonus, which is the component of annual incentive compensation awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021. The remaining 40% of this amount is deferred for a period of 3 years and will be subject, during this period, to future variations depending on the overall performance of Desjardins Group.
- (2) The amount indicated represents the compensation component awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.

Overall 2020 compensation of the Senior Executive Vice-President and Chief Operating Officer

Réal Bellemare

In 2020, incentive plan results were detailed as follows:

	Target objectives (budget)	Result for 2020	Trigger (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	80.70%	Attained

The results attained earned Réal Bellemare a bonus equal to 100.88% of his eligible base salary.

In addition, he was granted \$385,433 under the Long-Term Incentive Plan. An amount of \$212,831 deferred in 2017 also vested, becoming payable after adjustments taking into account financial performance until the end of 2018 and overall performance of Desjardins Group as of 2019.

Direct compensation for 2020

Réal Bellemare

Components	2020 Awarded value
Base salary	\$640,002
Annual incentive plan	\$648,009 ⁽¹⁾
Long-term incentive plan	\$385,433 ⁽²⁾
Total direct compensation	\$1,673,444

(1) The amount indicated represents the 2020 bonus, which is the component of annual incentive compensation awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021. The remaining 40% of this amount is deferred for a period of 3 years and will be subject, during this period, to future variations depending on the overall performance of Desjardins Group.

(2) The amount indicated represents the compensation component awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.

Overall 2020 compensation of the Executive Vice-President, Wealth Management and Life and Health Insurance

Denis Dubois

In 2020, incentive plan results were detailed as follows:

	Target objectives (budget)	Result for 2020	Trigger (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	80.70%	Attained

The results attained earned Denis Dubois a bonus equal to 72.63% of his eligible base salary.

In addition, he was granted \$178,441 under the Long-term Incentive Plan. An amount of \$188,962 deferred in 2017 also vested, becoming payable after adjustments taking into account financial performance until the end of 2018 and overall performance of Desjardins Group as of 2019.

Direct compensation for 2020

Denis Dubois

Components	2020 Awarded value
Base salary	\$593,947
Annual incentive plan	\$432,005 ⁽¹⁾
Long-term incentive plan	\$178,441 ⁽²⁾
Total direct compensation	\$1,204,393

(1) The amount indicated represents the 2020 bonus, which is the component of annual incentive compensation awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021. The remaining 40% of this amount is deferred for a period of 3 years and will be subject, during this period, to future variations depending on the overall performance of Desjardins Group.

(2) The amount indicated represents the compensation component awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.

Overall 2020 compensation of the Executive Vice-President, Caisse Network and Member and Client Services

Éric Lachaine

In 2020, incentive plan results were detailed as follows:

	Target objectives (budget)	Result for 2020	Trigger (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	80.70%	Attained

The results attained earned Éric Lachaine a bonus equal to 72.63% of his eligible base salary.

In addition, he was granted \$171,462 under the Long-term Incentive Plan. An amount of \$190,806 deferred in 2017 also vested, becoming payable after adjustments taking into account financial performance until the end of 2018 and overall performance of Desjardins Group as of 2019.

Direct compensation for 2020

Éric Lachaine

Components	2020 Awarded value
Base salary	\$570,920
Annual incentive plan	\$415,110 ⁽¹⁾
Long-term incentive plan	\$171,462 ⁽²⁾
Total direct compensation	\$1,157,492

- (1) The amount indicated represents the 2020 bonus, which is the component of annual incentive compensation awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021. The remaining 40% of this amount is deferred for a period of 3 years and will be subject, during this period, to future variations depending on the overall performance of Desjardins Group.
- (2) The amount indicated represents the compensation component awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.

SUMMARY TABLE OF THE OVERALL COMPENSATION SPECIFIC TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION

Name Principal position	Year	Salary (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation ⁽³⁾ (\$)	Total compensation (\$)
			Annual incentive plan (\$)	Long-term incentive plan ⁽¹⁾⁽²⁾ (\$)			
Guy Cormier President and Chief Executive Officer, Desjardins Group	2020	1,131,341	867,852 ⁽⁴⁾	N/A	1,186,363	N/A	3,185,556
	2019	1,064,289	713,180	N/A	1,180,557	N/A	2,958,026
	2018	949,111	1,046,110	N/A	1,010,685	N/A	3,005,906
Alain Leprohon Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer	2020	471,424	347,229 ⁽⁵⁾	143,424	367,810	N/A	1,329,887
	2019	324,939	170,298	8,287	306,838	N/A	810,362
	2018	318,512	247,341	N/A	68,934	N/A	634,787
Réal Bellemare Senior Executive Vice-President and Chief Operating Officer	2020	640,002	648,009 ⁽⁵⁾	385,433	159,992	N/A	1,833,436
	2019	553,813	431,632	180,511	233,920	N/A	1,399,876
	2018	537,934	626,485	161,532	114,793	N/A	1,440,744
Denis Dubois Executive Vice-President, Wealth Management and Life and Health Insurance	2020	593,947	432,005 ⁽⁵⁾	178,441	172,843	N/A	1,377,236
	2019	519,976	393,944	156,869	397,272	N/A	1,468,061
	2018	479,847	558,938	144,116	103,417	N/A	1,286,318
Éric Lachaine Executive Vice-President, Caisse Network and Member and Client Services	2020	570,920	415,110 ⁽⁵⁾	171,462	115,083	N/A	1,272,575
	2019	523,580	396,005	157,689	222,798	N/A	1,300,072
	2018	484,528	564,391	145,521	9,593	N/A	1,290,033

- (1) The amount indicated represents, for each Named Executive Officer, the component of compensation awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.
- (2) The President and Chief Executive Officer of Desjardins Group is not eligible to the Long-Term Incentive Plan (PCD) because of the independence required by his position. A pension enhancement program is better suited to his function when we also consider the principle of term limits to establish the target positioning of his total compensation.
- (3) During fiscal 2020, the total value of perquisites granted to each Named Executives Officer did not exceed the lesser of 10% of their salary or \$50,000.
- (4) The amount indicated represents, for the President and Chief Executive Officer of Desjardins Group, the component of annual incentive compensation earned in fiscal 2020 and paid in full at the beginning of fiscal 2021.
- (5) The amount indicated represents, for each Named Executive Officer, the annual incentive compensation component awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021. The remaining 40% of this amount is deferred for a period of 3 years and will be subject to future variations depending on the overall performance of Desjardins Group.

INCENTIVE PLAN AWARDS SPECIFIC TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION

The following table summarizes incentive plan compensation:

Name Principal position	Year	Non-equity incentive plan compensation - Value earned during the fiscal year (\$)
Guy Cormier President and Chief Executive Officer, Desjardins Group	2020	867,852 ⁽¹⁾
Alain Leprohon Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer	2020	490,653 ⁽²⁾
Réal Bellemare Senior Executive Vice-President and Chief Operating Officer	2020	1,033,442 ⁽²⁾
Denis Dubois Executive Vice-President, Wealth Management and Life and Health Insurance	2020	610,446 ⁽²⁾
Éric Lachaine Executive Vice-President, Caisse Network and Member and Client Services	2020	586,572 ⁽²⁾

(1) The amount indicated represents, for the President and Chief Executive Officer of Desjardins Group, the component of annual incentive compensation earned in fiscal 2020 and paid at the beginning of fiscal 2021.

(2) The amount indicated represents, for each Named Executive Officer, the following:

- The component of annual incentive compensation awarded in fiscal 2020. 60% of this amount is paid at the beginning of fiscal 2021 and the remaining 40% is deferred for a period of 3 years and will be subject, during this period, to future variations depending on the overall performance of Desjardins Group; and
- The component of compensation awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). The PCD will be subject to future variations based on Desjardins Group's overall performance and will become payable upon retirement.

LONG-TERM INCENTIVE PLAN AWARDS SPECIFIC TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION

Name Principal position	Accumulated value as at December 31, 2019 (\$)⁽¹⁾	Adjustment in 2020 of the accumulated value as at December 31, 2019 (\$)⁽²⁾	Amount awarded for the year ended December 31, 2020 (\$)⁽³⁾	Accumulated value as at December 31, 2020 (\$)
Guy Cormier President and Chief Executive Officer, Desjardins Group	N/A	N/A	N/A	N/A
Alain Leprohon Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer	8,287	(640)	143,424	151,071
Réal Bellemare Senior Executive Vice-President and Chief Operating Officer	1,103,479	(85,188)	385,433	1,403,724
Denis Dubois Executive Vice-President, Wealth Management and Life and Health Insurance	499,120	(38,533)	178,441	639,028
Éric Lachaine Executive Vice-President, Caisse Network and Member and Client Services	502,560	(38,797)	171,462	635,225

- (1) The amount indicated represents, for each Named Executive Officer, the accumulated value of compensation granted under the Long-Term Incentive Plan (PCD) as at December 31, 2019 and also takes into account the variation established within the parameters of that plan in prior years. This amount will vary each year thereafter based on Desjardins Group's overall performance and will be payable upon retirement. The President and Chief Executive Officer of Desjardins Group is not eligible to this plan owing to the independence that his position requires. A pension enhancement program is more in line with his position, when the principle of term limits is also factored in to determine the target positioning of his overall compensation.
- (2) The amount indicated represents, for each Named Executive Officer, the variation in 2020 in the accumulated value as at December 31, 2019. The variation is based on Desjardins Group's overall performance for 2020. This variation corresponds to minus 7.72%, based on the adjustment factor resulting from overall performance.
- (3) The amount indicated represents, for each Named Executive Officer, the component of compensation awarded for fiscal 2020 under the Long-Term Incentive Plan (PCD). This amount will vary each year thereafter based on Desjardins Group's overall performance and will be payable upon retirement.

BENEFITS UNDER A PENSION PLAN SPECIFIC TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION FOR 2020

The following table indicates the total of all pension benefits:

Name Principal position	Years of credited service	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Closing present value of defined benefit obligation (\$)
		At fiscal year-end	At age 65				
Guy Cormier President and Chief Executive Officer, Desjardins Group	28.00	517,176	580,634 ⁽¹⁾	8,750,693	1,186,363	1,392,782	11,329,838
Alain Leprohon Executive Vice-president Finance, Treasury, Administration and Chief Financial Officer	18.88	119,341	165,922	2,210,625	367,810	333,295	2,911,730
Réal Bellemare Senior Executive Vice-President and Chief Operating Officer	11.23	111,430	210,845	1,932,519	155,992	319,299	2,411,810
Denis Dubois Executive Vice-President, Wealth Management and Life and Health Insurance	17.17	153,133	281,984	3,267,234	172,843	634,398	4,074,475
Éric Lachaine Executive Vice-President, Caisse Network and Member and Client Services	29.01 ⁽²⁾	176,696	245,406	3,563,747	115,083	497,953	4,176,782

(1) Guy Cormier's pension is calculated at age 55.

(2) Éric Lachaine was previously credited 13.41 additional years for DGPP purposes (included in the 29.01 years indicated) which are not recognized for the purposes of the supplemental pension plan.

Compensatory changes are a function of the cost of services rendered throughout the year and of the actuarial impact of the difference between salary earned during the year and salary expected.

Non-compensatory changes stem primarily from changes in assumptions including, in certain cases, the effective departure date and interest on the value of the defined benefit obligation.

The value of defined benefit obligations at fiscal year-end was calculated according to the methods and assumptions used for purposes of the most recent accounting valuation.

TERMINATION AND CHANGE OF CONTROL BENEFITS

No benefits are provided in connection with any termination or change of control.

OTHER INFORMATION

Financial reporting requirements under the third pillar of the Basel Committee in the Capital Adequacy Guidelines, Financial Services Cooperatives (in French only, the *Ligne directrice sur les normes relatives à la suffisance du capital de base, Coopératives de services financiers*) of the *Autorité des marchés financiers* specify certain disclosure requirements for compensation.

In accordance with these requirements, additional quantitative information appear below.

Material risk takers

The third pillar introduces the concept of material risk takers.

Desjardins Group has established criteria to identify individuals who, through their roles or activities, have a significant influence on the organization's risk profile. These individuals identified as material risk takers within Desjardins Group are:

- All senior management, i.e., those in Executive Vice-Presidents or higher level;
- All Vice-Presidents; and
- All other individuals whose activities have a significant influence on the organization's risk profile. As such, in addition to those described above, individuals who have the authority to approve credit commitments, acquire or lease goods, services or assets in amounts exceeding \$10 million.

All of the named executive officers are material risk takers.

Compensation awarded in 2020

The following table summarizes the value of the compensation awarded to material risk takers for 2020.

Compensation awarded ⁽¹⁾	2020		2019	
	Named Executive Officers	Other material risk takers	Named Executive Officers	Other material risk takers
Number of employees	5	140	6	131
Fixed compensation				
• Cash (not deferred)	\$3.4	\$31.8	\$3.5	\$32.5
At risk compensation				
• Cash (not deferred)	\$2.0	\$9.7	\$1.8	\$10.3
• Cash (deferred)	\$1.6	\$5.8	\$1.4	\$5.3

(1) All compensation elements are in cash and are presented in millions of dollars.

Deferred compensation

The following table summarizes the value of deferred compensation to material risk takers. Deferred amounts become vested at the end of the prescribed carry-over period and become payable immediately. During the deferred period, the amounts are adjusted annually according to a factor that is established on the basis of Desjardins Group's overall performance, i.e. based on the result of the General Incentive Plan (GIP) and brought within a range of 80% to 120%.

Beyond the annual adjustment during the deferred period, the Board of Directors, on the recommendation of the Human Resources Committee of Desjardins Group, reserves the right to reduce or cancel any at risk compensation payments not made at the end of the reference year, in the event that an exceptional financial situation affects Desjardins Group's ability to pay.

In 2020, all deferred compensation for material risk takers was adjusted implicitly and corresponds to a decrease of \$1.3 million.

Deferred compensation ⁽¹⁾	2020		2019	
	Named Executive Officers	Other material risk takers	Named Executive Officers	Other material risk takers
Not yet received				
• Vested	\$0.0	\$0.0	\$0.0	\$0.0
• Not vested	\$4.8	\$16.1	\$4.6	\$19.2
Payments during the fiscal year ⁽²⁾	\$0.7	\$5.8	\$0.8	\$5.8

(1) All compensation components are in cash and are presented in millions of dollars.

(2) The amounts indicated are the deferred variable compensation that became vested and paid in the fiscal year or at the beginning of the following fiscal year.

Other compensation paid

The following table shows the cash allocations upon hire, the premiums guaranteed under specific at risk compensation plans and severance pay for the 2020 financial year for material risk takers.

Other compensation ⁽¹⁾	2020		2019	
	Named Executive Officers	Other material risk takers	Named Executive Officers	Other material risk takers
Awards				
• Number of employees				
• Hiring premiums	\$0	11	0	2
• Guaranteed premiums	\$0.0	\$0.1	\$0.0	\$0.1
	\$0.0	\$0.9	\$0.0	\$0.2
Severance pay				
• Number of employees	0	3	0	4
• Severance pay	\$0.0	\$1.0	\$0.0	\$5.8

(1) All compensation components are in cash and are presented in millions of dollars.

DIRECTOR COMPENSATION

Directors are compensated in accordance with the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)* and the frameworks adopted for these purposes.

The members of the Board of Directors of the Federation are entitled to an annual retainer and meeting fees as per the rates presented in the following table.

This compensation is for serving on the Board of Directors of the Federation, Desjardins Trust Inc. Desjardins Technology Group Inc. and Desjardins Capital Inc. and is paid on a prorated basis by the Federation, Desjardins Trust Inc., Desjardins Technology Group Inc. and Desjardins Capital Inc. Each director is also entitled to reimbursement of out-of-pocket expenses incurred in the course of their duties.

Compensation Rates for members of the Federation's Boards of Directors (BoD) and the members of the Federation's Board of Ethics and Professional Conduct

	Federation ⁽¹⁾	Subsidiaries
Chair of the Board of Directors ⁽²⁾	\$0 This position is held by the President and CEO of Desjardins Group	\$11,500
Annual retainer for the chair of a commission or committee of the Board of Directors ⁽³⁾	\$7,400 (other than the Audit and Inspection Commission)	\$7,400
Additional annual retainer for the Chair of the Audit and Inspection Commission	\$14,800	N/A
Annual retainer for the Vice-Chair of the Board of Directors	\$22,800	N/A
Annual retainer for a member of the Board of Directors ⁽⁴⁾	\$53,800	\$11,500
Annual retainer for a member of a commission or committee of the Board of Directors ⁽⁵⁾	\$2,300	\$2,300
Additional annual retainer for a member of the Audit and Inspection Commission	\$2,300	\$2,300 (Audit and risk management committee)
Attendance allowance for a meeting of the Board of Directors	\$1,375 (daily maximum)	\$1,400 (daily maximum)
Attendance allowance for a meeting of a commission or committee of the Board of Directors ⁽⁶⁾	\$1,375 (daily maximum) \$685 (per half-day)	\$1,400 (daily maximum) \$700 (per half-day)
Short conference (by conference call or any other means)	\$230	\$230
Attendance allowance for a meeting of the Ethics and Professional Conduct or the Ethics Committee ⁽⁷⁾	\$2,750 (Chair) \$1,375 (members)	\$700 (per half-day)

*** The rates were updated in 2018 following review of Desjardins Group's Executive Compensation Policy and changes in the organization's governance.

N/A: Not applicable

- (1) The compensation amounts for directors indicated for the Federation include, when applicable, the portion paid to members of the Board of Directors to also act as directors of Desjardins Trust Inc. (Trust), Desjardins Technology Group (DTG) and Desjardins Capital Inc. (DCI).
- (2) The position of Chair of the Board of the following subsidiaries is held by a member of the Federation's Board of Directors: *Développement international Desjardins*, Desjardins General Insurance Group Inc., Desjardins Financial Security Life Assurance Company and Desjardins Financial Corporation Inc.
- (3) The Chair of a commission or committee holding less than four meetings per year receives a double attendance allowance in lieu of an annual retainer, with the exception of the Chair of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.
- (4) This retainer is \$38,100 for the managing director. Only one retainer shall be paid for their functions on the board of directors and on the commissions and committees of the Federation, DCI, Trust and DTG. For the Federation, this retainer also includes the presence of the members of the board of directors at the Community Consensus Tables and the Consultation Forum.
- (5) The annual retainer of a member of the Board of Directors of the Federation shall also include their participation in the commissions and committees of the Board of Directors of the Federation, Trust, DTG or DCI, and therefore only one retainer shall be paid for the functions performed for either of these components.
- (6) The maximum daily attendance allowance for the Federation, Trust, DTG and DCI is \$1,375, regardless of the number of Board, commission or committee meetings a member attends in a single day. Every effort is made to schedule multiple meetings on the same day to keep costs to a minimum. The Federation's Board of Directors may invite any caisse director to sit on any of its committees. The Board of Directors determines the compensation to be paid based on the nature of the responsibilities entrusted and the compensation schedule. The general managers who sit on the Board of Directors, a commission or a committee are not entitled to an attendance allowance.
- (7) This is the allowance for one-day meetings of the Federation's Board of Ethics and Professional Conduct. For half-day meetings, the allowance is \$1,375 for the Chair and \$700 for the member.

Board member compensation

The following table discloses the individual compensation received in 2020 by the members of the Board of Directors in the course of directorships with the Federation, Desjardins Trust Inc. (DT), Desjardins Capital Inc. (DCI) and Desjardins Technology Group Inc. (DTG) or as otherwise indicated below:

Name	Compensation received for directorships with the Federation, DT, CDI and DTG		Other fees ⁽¹⁾		TOTAL 2020 (\$)
	Attendance allowance (\$)	Annual retainer (\$)	Attendance allowance (\$)	Annual retainer (\$)	
Babineau, Louis (Chair of the BoD of DID) ⁽²⁾	44,510.72	56,100.00	8,444.27	43,552.00	152,606.99
Baillargeon, Lisa	44,165.72	56,100.00	969.27	5,752.00	106,986.99
Bélangier, Benoît	N/A	56,100.00	N/A	N/A	56,100.00
Charbonneau, Johanne	51,590.29	70,900.00	2,249.65	29,352.00	154,091.94
Chevalier, Carole	42,328.17	61,200.00	1,336.80	21,300.00	126,164.97
Corbeil, Stéphane (Chair of the BoD of FSD) ⁽²⁾	41,190.72	56,100.00	969.27	11,500.00	109,759.99
Corriveau, Sonia ⁽³⁾	20,870.00	27,715.11	N/A	N/A	48,585.11
Cormier, Guy (Chair of the BoD of DFS) ⁽²⁾⁽⁴⁾	N/A	N/A	N/A	N/A	N/A
Doré, Michel	53,149.98	63,500.00	115.00	N/A	116,764.98
Grenier, André	45,370.03	53,800.00	N/A	N/A	99,170.03
Groulx, Nadine	44,982.05	61,200.00	27,197.91	16,100.00	149,479.96
Hawthorn, Neil	N/A	53,800.00	N/A	16,100.00	69,900.00
Jodoin, Dominique ⁽³⁾	20,640.01	26,900.00	N/A	N/A	47,540.01
Jourdain, Kateri C.	38,040.03	53,800.00	N/A	N/A	91,840.03
Lamothe, Marie-Josée	45,595.03	53,800.00	N/A	N/A	99,395.03
Laporte, Jean-François (Chair of the BoD of DGIG) ⁽²⁾	42,164.68	56,100.00	21,940.00	31,233.33	151,438.01
Maltais, Camil	51,392.05	53,800.00	1,087.91	13,800.00	120,079.96
Ouellet, Roch	45,135.00	53,800.00	N/A	12,000.00	110,935.00
Perras, Pierre*	15,299.06	10,285.28	285.94	4,438.00	30,308.28
Rousseau, Serge ⁽⁵⁾	51,145.26	91,400.00	1,104.73	13,800.00	157,449.99
Tourangeau, Michel	47,308.17	53,800.00	6,311.80	16,100.00	123,519.97
Tremblay, Marie-Eve	35,745.00	53,800.00	115.00	12,000.00	101,660.00
Trottier, Stéphane	42,390.00	53,800.00	336.00	12,000.00	108,526.00
Vinet, Yvon	35,745.00	53,800.00	N/A	23,000.00	112,545.00
Total	838,116.96	1,231,600.39	72,463.55	282,027.33	2,424,208.23

N/A: Not applicable.

*Managing director

- (1) Amounts received for chairing the Board of a subsidiary and serving on the Desjardins Group Retirement Committee and Desjardins Group Retirement Committee's Investment Committee. Amounts also received for directorships with Desjardins Financial Corporation Inc. (DFC) and *Fonds de sécurité Desjardins* (FSD). Amounts also received for serving on other ad hoc committees.
- (2) *Développement international Desjardins* (DID), Desjardins General Insurance Group Inc. (DGIG), Desjardins Financial Security Life Assurance Company (DFS) and *Fonds de sécurité Desjardins* (FSD).
- (3) Terms started on June 10, 2020.
- (4) The President and Chief Executive Officer of Desjardins Group receives no compensation as Chair of the Board and director of the Federation, DT, DFS, DFC, DCI and DTG.
- (5) Serge Rousseau receives retainers due to his role as Vice-Chair of the Board of Directors, Chair of the Governance and Responsible Finance Commission and Chair of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE RULES

The rules of the Audit Committee (known under the name “Audit and Inspection Commission” of the Federation) are included in the Audit and Inspection Commission Charter appended in Schedule B to this Annual Information Form.

COMPOSITION

The Audit Committee consists of Louis Babineau, Lisa Baillargeon, Johanne Charbonneau, Stéphane Corbeil, Jean-François Laporte and Sonia Corriveau. All Committee members are independent and financially literate in accordance with *Regulation 52-110 respecting Audit Committees*. Benoit Bélanger, Michel Doré, Michel Magnan and Robert St-Aubin serve on the Audit Committee as observers.

RELEVANT EDUCATION AND EXPERIENCE

Audit Committee members have the necessary education and experience to fulfil their responsibilities within the Audit Committee. It is composed of six (6) independent members, including two directors co-opted by the Board of Directors. More specifically, their expertise is as follows:

- **Louis Babineau**, holds a Doctor of Business Administration degree and is a tenured professor at *Université du Québec à Rimouski*, Lévis campus. He is also Chair of the Board of Directors of *Caisse Desjardins de Sainte-Foy*. He sits on the Board of Directors of the Federation, Desjardins Technology Group Inc., Desjardins Capital and Desjardins Trust Inc., and is a member of the Audit and Inspection Commission and the audit committees of those entities. He is also a member of the Board of Directors of FSD and chair of the Board of Directors of *Développement international Desjardins*.
- **Lisa Baillargeon** holds the position of Chartered Professional Accountant (CPA) and holds a PhD and an MBA. She is Professor and Researcher at UQAM’s School of Management Sciences, Chair of the City of Montreal Audit Committee, and Chair of the Board of Directors of the *Caisse Desjardins Charles-LeMoigne*. She sits on the boards of the Federation, Desjardins Technology Group Inc., Desjardins Capital Inc. and Desjardins Trust Inc., and is a member of the Audit and Inspection Commission and audit committees of these entities. She is also a member of the Board of Directors of the FSD and the Governance and Responsible Finance Commission.
- **Johanne Charbonneau, Chair of the Committee** holds the title of Chartered Professional Accountant (CPA) and holds an MBA. She is retired from CBC/Radio-Canada where she acted as Chief Financial Officer. She serves as a co-opted director on the Board of Directors of the Federation, Desjardins Technology Group Inc., Desjardins Capital Inc. and Desjardins Trust Inc., and is Chair of the Audit and Inspection Commission and audit committees of these entities. She is also member of the Board of Directors of FSD and an observer member of the Risk Management Committee.
- **Stéphane Corbeil** holds an MBA in portfolio and cash management and holds the title of Chartered Financial Analyst (CFA). He is President of TERIS Corporation and of *Club Voyages Dumoulin*. He is also Vice-Chair of the board of the *Caisse Desjardins du Nord de Laval*. He sits on the Board of Directors of the Federation, Desjardins Technology Group Inc., Desjardins Capital Inc. and Desjardins Trust Inc., and is a member of the Audit and Inspection Commission and audit committees of these entities. He is also Chair of the Board of Directors of FSD and a member of the Desjardins Group Investments Commission.
- **Sonia Corriveau** has an MBA and a bachelor’s degree in information management. She is Chief Business Transformation Officer at VIA Rail Canada. She sits as co-opted director on the boards of directors of the Federation, Desjardins Technology Group Inc., Desjardins Capital Inc. and Desjardins Trust Inc. and she is a member of the Audit and Inspection Commission and audit committees of these entities.

- **Jean-François Laporte** holds an MBA. He has more than 30 years of experience in executive positions in finance and administration, most of which are in multinational manufacturing companies, and is a director of *Caisse Desjardins de la Pommeraiie*. He sits on the Board of Directors of the Federation, Desjardins Technology Group Inc., Desjardins Capital Inc. and Desjardins Trust Inc., and is a member of the Audit and Inspection Commission and audit committees of these entities. He is also Chair of the Board of Directors of Desjardins General Insurance Group.

In addition, these members also have access to an orientation session and ongoing training processes.

PREAPPROVAL POLICIES AND PROCEDURES

The Federation's Board of Directors has adopted a policy governing how contracts for non-audit services are awarded by Desjardins Group components, including the Federation. Under this policy, the Federation's Audit and Inspection Commission is legally responsible for preapproving non-audit services provided by Desjardins Group's external auditors, whether rendered to Desjardins Group or its components. The goal is to eliminate threats to the external auditor's independence or reduce our exposure to said threats to an acceptable level, thereby avoiding situations that may adversely affect or appear to adversely affect its judgment and objectivity. See the Institutional Policy, Independent auditors of Desjardins Group in Schedule C to this Annual Information Form.

EXTERNAL AUDITOR SERVICE FEES BILLED (BY CATEGORY)

For the periods beginning on January 1, 2020 and 2019 and ending December 31, 2020 and 2019 respectively, PwC billed the Federation for the fees described in the following tables as at December 31, 2020.

Audit-related fees

	2020	2019
PwC	\$4,983,143	\$4,913,692

Audit-related services fees

	2020	2019
Translation of financial reports, specific procedures related to management discussion and analysis, work performed in connection with the covered bond program.	\$1,128,305	\$1,326,010

Tax fees

	2020	2019
Other professional services related to tax matters	\$46,233	\$107,882

Other fees

	2020	2019
Benchmarking of emerging management practices in the post-Covid work world and consulting services for selecting a CRM integrator (customer relationship management solution).	\$85,780	\$108,033

CORPORATE GOVERNANCE DISCLOSURE

BOARD OF DIRECTORS

The AFSC empowers the Federation to set the number of directors on its Board in its by-laws, provided that there are no fewer than five directors. Each member of the Board of Directors is elected for a term of three years, except for the President and Chief Executive Officer, who has a four-year term. Pursuant to the AFSC, the Federation's by-laws must provide for the rotation of one third of directors, to the nearest whole number, each year.

The Federation's Board of Directors is constituted based on an enhanced collective profile that establishes the skills and abilities sought by the Board and sets a target of representativeness and competence. In 2021, due to the abolition of an elected director position, it will decrease from 23 to 22 members, i.e. 18 elected directors and 4 co-opted directors who are neither directors nor managers of caisses.

No directors have material relationships, directly or indirectly, with the Federation's management members or interests that, in the Board's opinion, could materially adversely affect their ability to act in the best interests of the Federation and Desjardins Group, or interests reasonably likely, in the Board's opinion, to be perceived as detrimental. A majority of the directors are independent.

INDEPENDENT DIRECTORS

The following is a list of directors who are independent in the opinion of the Federation's Board of Directors and in accordance with the concept of independence as defined in *Regulation 52-110 respecting Audit Committees* of the Canadian Securities Administrators (CSA) and the AMF's Governance Guideline:

- Louis Babineau
- Johanne Charbonneau
- Stéphane Corbeil
- Michel Doré
- Nadine Groulx
- Kateri C. Jourdain
- Jean-François Laporte
- Roch Ouellet
- Michel Tourangeau
- Stéphane Trottier
- Lisa Baillargeon
- Carole Chevalier
- Sonia Corriveau
- André Grenier
- Dominique Jodoin
- Marie-Josée Lamothe
- Camil Maltais
- Serge Rousseau
- Marie-Eve Tremblay
- Yvon Vinet

Sonia Corriveau and Dominique Jodoin were co-opted directors on June 10, 2020. The term of office of Pierre Perras ended on April 30, 2020. He was a managing and an independent director in the same capacity as the directors.

NON-INDEPENDENT DIRECTORS AND BASES FOR THAT DETERMINATION

The following is a list of directors who are not independent, in the opinion of the Federation's Board of Directors, and in accordance with the concept of independence as defined in *Regulation 52-110 respecting Audit Committees* of the CSA and the AMF's Governance Guideline:

- Guy Cormier
- Benoît Bélanger
- Neil Hawthorn

In the opinion of the Federation's Board of Directors, Guy Cormier is not independent because he is a member of the Federation's management, and the two other directors are not independent because they are employees of Desjardins Group entities, namely caisses.

DIRECTORSHIPS WITH OTHER REPORTING ISSUERS OR THE EQUIVALENT

For guidance on exercising its judgment, the Board of Directors refers to the Desjardins Code of Professional Conduct governing its directors and the declarations of interests they file each year. Note that a review of the directors' declarations of interests has shown a focus on their roles and responsibilities within Desjardins Group, as none of them serve on the Board of directors of a non-Desjardins Group reporting issuer other than Marie-Josée Lamothe who sits on the Board of Directors of *Alimentation Couche-Tard* and of Lightspeed HQ. Directors of the Federation generally also have one or two directorships with non-for-profit entities. Within Desjardins Group, the directors of the Federation are also directors of Desjardins Capital Inc., a venture reporting issuer.

INDEPENDENT DIRECTORS AND REGULARLY SCHEDULED MEETINGS AT WHICH NON-INDEPENDENT DIRECTORS ARE NOT IN ATTENDANCE

The Board of Directors has created a variety of structures and procedures to ensure its independence from Desjardins Group management.

1. Only one directorship is held by a member of Desjardins Group's management, namely the President and Chief Executive Officer of Desjardins Group, who is also a director elected by an electoral college composed of representatives from all the caisses, which promotes the legitimacy and independence of the Board of Directors.
2. The Vice-Chair of the Board of Directors, an independent director, is responsible for conducting Board meetings when deliberations require the President and Chief Executive Officer to not be present. As such he acts as the lead director. The By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)* provide that the Vice-Chair of the Board is to replace the Chair when the latter is unable to act, particularly when he or she is in a real or perceived conflict of interest situation. The position descriptions for the Vice-Chair and Secretary of the Board are attached to the Corporate Governance Policy adopted by the Board.
3. Directors meet periodically on an informal basis. The President and Chief Executive Officer of Desjardins Group follows up with Desjardins Group's management members, who are not present at these meetings. However, both independent and non-independent directors are present at these meetings, as deliberations pertain to matters with no conflict of interest risk for the non-independent directors.
4. In-camera sessions without the presence of members of management (except for the President and Chief Executive Officer) are held at the end of each Board of Directors or Executive Committee meeting. The same is true for Board commissions and committees. The Board of Directors also holds an in-camera meeting with the Board of Ethics and Professional Conduct each year.
5. In-camera sessions without the presence of the President and Chief Executive Officer are held with those holding independent oversight functions, namely the Executive Vice-President, Finance, Treasury and Administration and Chief Financial Officer, Executive Vice-President, Risk Management, the Chief Monitoring Officer, Desjardins Group and the Chief of the Desjardins Security Office, who the Vice-President and Chief Compliance and Privacy Officer report to.
6. In-camera sessions are held with and without the presence of non-independent directors at each of the Board of Directors meetings.
7. The Chair of the Corporate Governance and Responsible Finance Commission, Audit and Inspection Commission and Risk Management Commission is an independent director.
8. The mandate of the Corporate Governance and Responsible Finance Commission (which includes only one non-independent member) is as follows:
 - (a) Manage relations between the Board of Directors and the Desjardins Group Executive Committee;
 - (b) Ensure that the Board of Directors fulfills its responsibilities. The responsibility for developing or overseeing the agendas of the Board, its commissions and committees is assigned to the Chair of the Board and is subject to evaluation through the performance review process of the bodies.
9. A division of responsibilities between the Board and the Desjardins Group Executive Committee is established, in particular in the By-laws of the *Groupe coopératif Desjardins (Règlement intérieur du*

Groupe coopératif Desjardins), the governance policy and the mandates of these two bodies, which define their respective responsibilities.

10. Only independent directors serve on the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.
11. The Human Resources Commission and the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group are supported by an external consultant, as needed, on matters pertaining to the overall compensation of executives.

The Federation also has a Board of Ethics and Professional Conduct, the members of which are elected at the General Meeting. Its members are all independent from management and the Board of Directors.

ATTENDANCE RECORD

The information on the fiscal year 2020 Board meeting attendance of each director of the Federation on page 211 of the Annual Report is incorporated herein by reference.

MANDATE OF THE BOARD OF DIRECTORS

Under the AFSC, the Board of Directors exercises all powers necessary to manage, or supervise the management, the internal affairs and activities of the Federation, except those powers that it delegates from time to time to an officer, manager or several committees of the Board. In particular, the Board's responsibilities include the following:

Corporate culture

The Board of Directors is responsible for promoting the corporate culture and ensuring adherence to the cooperative identity of Desjardins Group and its permanent values: money at the service of human development, democratic action, personal commitment, integrity and rigour, solidarity with the community as well as inter-cooperation. The Board of Directors is also responsible for enforcing the *Desjardins Code of Professional Conduct* among officers, management, employees and directors.

Strategic and financial planning process

The Board of Directors has an ongoing strategic and financial plan for Desjardins Group that includes a financial plan, crisis scenarios, a funding plan and a capitalization plan. The Board is supported by the Desjardins Group Management Committee in fulfilling its responsibilities to ensure, while accounting for risks, that caisses and business sectors strategic directions and plans are integrated and business development strategies are coherent.

Identification and management of main risks

The Board of Directors identifies the main risks to which the Federation and Desjardins Group are exposed and ensures that appropriate systems are in place to manage those risks in an integrated manner. It is supported by the Risk Management Commission.

Succession planning

The Board of Directors oversees the development of the succession-planning program and is supported in this task by the Human Resources Commission and the Executive Vice-President, Human Resources and Communications. It ensures management continuity by adopting a transition plan on the departure of the President and Chief Executive Officer.

Integrity of internal control and management reporting systems

The Board of Directors, supported by its Audit and Inspection Commission, ensures that effective internal control systems (accounting, administrative and management) are in place to safeguard the integrity of its operations and obtains the required level of accountability from management.

Strategic communications

The Board of Directors adopts a communications policy for Desjardins Group and strategic communications directions aligned with Desjardins Group's Strategic Plan, including actions to be carried out and the set targets.

For further information on the mandate of the Board of Directors, see page 191 of the Annual Report, which is incorporated herein by reference.

POSITION DESCRIPTION

The President and Chief Executive Officer of Desjardins Group is the Chair of the Board of Directors, and the responsibilities thereof are set out in the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)*. The President and Chief Executive Officer of Desjardins Group is the highest-ranking authority of Desjardins Group and, as such, is responsible for coordinating and integrating the activities of Desjardins Group's various components. Unless otherwise specified in the AFSC or the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)*, the President and Chief Executive Officer of Desjardins Group is responsible, within the Federation, for enforcing the Federation's standards and policies and implementing the decisions of its Board of Directors and Board of Ethics and Professional Conduct.

Accordingly, the President and Chief Executive Officer of Desjardins Group, under the authority of its Board of Directors:

- defines Desjardins Group's vision, directions and strategic objectives and has them approved by the Board of Directors with a view to ensuring a single management structure within Desjardins Group;
- represents the Federation and is Desjardins Group's authorized spokesperson with governments, the media and the general public;
- is responsible for the representations made regarding any legislation affecting Desjardins Group;
- ensures that the various components of Desjardins Group adhere to the mission and principles set forth in the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)* and to Desjardins Group's common objectives so as to achieve consistency between thought and action among the caisses and the auxiliary members and to foster the completion of Desjardins Group's mission;
- informs the Board of Directors of any decisions, measures or actions that may conflict with the aforementioned mission, principles and objectives and recommends remedial actions;
- leads the strategic evolution of the caisse network and the subsidiaries;
- interprets, promotes and disseminates the cooperative doctrine and its particular applications in the financial services sector;
- safeguards and promotes the cooperative nature and purpose of Desjardins Group and its contribution in advancing the cooperative movement;
- ensures that the applicable Federation standards and policies are properly interpreted and applied by Desjardins Group's senior management;
- ensures cohesive communication within the Federation and Desjardins Group;
- submits for approval to the Board of Directors a senior executive management structure for the Federation and Desjardins Group. Such a structure includes a general manager and relieves the general manager from operations management in order for the President and Chief Executive Officer to be able to focus on the responsibilities listed herein; and
- is an ex-officio member of all Board committees with the exception of any committee on the compensation of the President and Chief Executive Officer.

The By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)* specify that the procedures for selecting the other members and the operation, role and powers of the Executive Committee are established by decision of the Board of Directors. The same is true for the composition of each of the committees and commissions of the Board. The Board of Directors may delegate powers conferred on the Board by legislation or by virtue of the By-laws of *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)* to one or more directors, officers, employees,

commissions or committees, to the extent and in the manner determined by the Board at the time of delegation.

The Board of Directors has delegated certain powers to the Executive Committee, but not to any other committee or commission. The purpose of this committee is primarily to release the Board of Directors by examining situations that violate the guidelines applicable to the caisse network as part of the Federation's power of intervention or authorizations to be given to management in connection with the guidelines adopted by the Board of Directors.

The responsibilities of the Executive Committee are to:

- Approve all financial commitments in excess of the limits established by management, in accordance with the policy on the authorisation of commitments (*Politique sur l'autorisation des engagements*) following their in-depth analysis and recommendation by the Risk Management Committee;
- Make a recommendation to the Board of Directors when the strategic and financial impact of a project or transaction so requires;
- Admit caisses as members of the Federation and make recommendations for exclusion;
- Approve any intervention measure of the Federation, except those that fall under the exclusive jurisdiction of the FSD under the AFSC, with a caisse, its directors or managers, or its board of directors;
- Ask the FSD to intervene, when the conditions giving rise to the exercise of such an intervention measure have been met. To the extent provided by law, the Executive Committee shall then give the caisse, directors or managers, as the case may be, an opportunity to present their observations. If the Executive Committee considers it necessary, it may also decide that the approval of the Board of Directors is also required for the exercise of such an intervention measure or request;
- Approve the official delegations of a director, officer, senior officer or employee to an external body.

ORIENTATION AND CONTINUING EDUCATION

(i) Role of the Board, its committees, commissions and directors

The Federation offers its directors orientation sessions and continuing education, and develops activities tailored to their specific needs. Every director receives a document reminding him or her of the expectations and the duties that come with the position. Orientation sessions are also held to ensure effective and efficient integration of new members of Board commissions and committees.

(ii) Nature and operation of the business

The Federation develops various knowledge appropriation or deepening activities with regard to the different facets of their role and responsibilities as directors. These activities can be individual or collective. All new directors benefit from onboarding sessions, including meetings with members of management and the presentation of a reference manual containing the information essential to the performance of their duties. Finally, orientation sessions ensure the effective integration of new members of a board commission or committee.

(iii) Continuing education

The training of board members is designed according to their needs, which are identified during the self-assessment of board members' skills. The results are submitted to the Governance and Responsible Finance Commission, which then proposes to the Board of Directors the two-year skills development plan. The Board also holds seminars on specific topics related to strategic planning and related issues. These seminars held with the members of the Desjardins Group Management Committee prove to be intensive periods of knowledge development for Board members.

BUSINESS ETHICS

The *Desjardins Code of Professional Conduct* (Code) has been filed on the SEDAR website at www.sedar.com.

The Board of Directors is responsible for ensuring adherence to the cooperative identity of Desjardins Group and its permanent values: money at the service of human development, democratic action, personal commitment, integrity and rigour, solidarity with the community as well as inter-cooperation. The Board of Directors is also responsible for enforcing the Code among members of the Board of Directors, officers, management, employees and directors.

Pursuant to the AFSC, the Federation has a Board of Ethics and Professional Conduct that is independent of the Board of Directors and whose five members are directors of caisses. The role of this Board is to adopt the rules of ethics and professional conduct applicable to Desjardins Group directors and the employees of the Federation and the caisses, ensure development of these rules, present them to the Board of Directors for approval and ensure that they are complied with by the Federation and the caisses, support the caisses and the Federation in applying the rules of ethics and professional conduct, issue opinions and make observations and recommendations with respect to ethical and professional conduct issues, particularly in cases of misconduct, and, if the Federation breaches the provisions of the AFSC or the regulations governing insider trading and conflicts of interest, ensure that complaints regarding the Federation originating from the caisses or other members of the Federation (such as holding companies or subsidiaries) are handled. This board holds in-camera sessions without the presence of management.

Directors, including executive officers, members of the Board of Ethics and Professional Conduct and employees are subject to rules of ethics and professional conduct that require them to avoid being placed in real or perceived conflict of interest situations. They must report without omission any such situation to the authorities concerned or their superior and abstain from voting or making a decision in such respect or influencing the related vote or decision. Agreements for transfers of assets between the Federation and these persons must also be approved by the Board of Directors of the Federation, upon prior opinion of the Board of Ethics and Professional Conduct. The same applies to agreements for the supply of goods and services, which must be approved by the Board of Directors, upon prior advice of the Board of Ethics and Professional Conduct (unless the agreement involves only small amounts). Directors and members of the Board of Ethics and Professional Conduct must also regularly complete written declarations indicating their own interests or those of related persons, in any business.

There is a support structure in place to enable this board to carry out awareness and training activities and provide an advisory service, thereby giving concrete form to the Federation's efforts to ensure compliance with the Code, which in turn imposes penalties for violations to ethics rules. The Federation also has a confidential mechanism for reporting violations of the Code and other regulatory frameworks.

NOMINATION OF DIRECTORS

Given the democratic structure of Desjardins Group in 2020 and the principle of delegation, which prevails within the organization, the Board of Directors comprises 19 directors elected by the delegates of the Federation's member caisses at the Annual General Meeting. The Federation can thus count on directors who are closely familiar with their environment and Desjardins Group's activities while being independent of its management. This knowledge of the organization is an important advantage of Desjardins Group's democratic structure.

The Board of Directors co-opts four independent directors who are neither directors nor general managers of the caisses for a one-year term, which is renewable for a maximum period of 12 years.

The presence of two caisse general managers amongst the elected directors is intended to assure the Board of Directors that the orientations it adopts and their implementation are adapted to the reality of the caisses.

The selection procedures for the members of the Board of Directors and its Chair are designed in such a way that each member is selected through a separate process and an electoral college, which reinforces the independence between the members of the Board and management.

The members of the Board of Directors have renewable three-years terms, and each year one-third of these terms expire. The number of terms applicable to the Board of Directors and the Board of Ethics and

Professional Conduct of the Federation is limited to four three-year terms, whether or not they are consecutive. Given the exceptional situation associated with the pandemic and the fact that there were no elections in 2020, the terms of office of the members of the Board of Directors and the Board of Ethics and Professional Conduct were extended by one year ending in March 2021.

The composition of the Board of Directors is also based on an enhanced collective profile adopted by the Board, as required by the By-laws of the *Groupe coopératif Desjardins (Règlement intérieur du Groupe coopératif Desjardins)*. The Board of Directors adopts, updates as necessary and aims to achieve this enhanced collective profile, which takes into account the following dimensions: the skills and know-how related to personal qualities required to act as a director; the skills required to take charge of the strategic and fiduciary responsibilities of a domestic systemically important financial institution; the representation of the diversity of the communities, members and clients and the caisse network.

Information on the representation of the Board of Directors and the appointment of executive officers of the Federation found under the Corporate Governance section on pages 189-212 of the Annual Report is incorporated herein by reference.

COMPENSATION

The Board of Directors reviews, when it deems appropriate, and at least every five years, its policy on the compensation of its directors and members of the Board of Ethics and Professional Conduct. The Board receives recommendations from its Corporate Governance and Responsible Finance Commission, which analyzes market trends in this area very closely, particularly those within large cooperatives and cooperative financial groups. The scale of this policy is based on benchmarking of comparable cooperative organizations from Quebec, Canada and Europe.

The applicable framework with regard to Desjardins Group's executive compensation policy includes guiding principles in order to set the compensation of elected directors of caisses and of the Federation, the members of the Board of Ethics and Professional Conduct as well as of subsidiary directors. A governance mechanism allows the Board of Directors of the Federation to hold a "say on pay" vote at the general meeting regarding compensation guidelines for Desjardins Group employees, including executive officers. In addition, the compensation of the President and Chief Executive Officer is subject to the recommendations of a specific Board committee, all of whose members are independent directors. The President and Chief Executive Officer does not personally receive any money for the functions undertaken as director of any of the aforementioned components.

For further details, see the "Statement of the Federation's executive officer compensation" section of this Annual Information Form.

OTHER BOARD COMMITTEES

Executive Committee (seven directors)

This Committee has the same functions and powers as the Board of Directors, with the exception of those which the board may reserve for itself or assign to another committee or commission.

Cooperation and Culture Commission (six directors)

This commission assists the Board of Directors with issues related to Desjardins Group's cooperative culture as it pertains to Desjardins Group's mission and values and their consideration in commercial and management practices. The commission ensures the effective and efficient implementation of mechanisms for collaboration, participation and connection with the network. It also examines Desjardins Group's social and cooperative responsibility report and recommends its adoption to the Board.

Risk Management Commission (seven directors)

This commission's main role is to assist the board with overall strategies and directions for risk management. It ensures the implementation of an integrated risk management framework, standards and policies that establish the rules for accepting, monitoring, managing and reporting the material risks that Desjardins Group is exposed to. This commission also monitors compliance with Desjardins Group's risk appetite framework and examines the steps that need to be taken when established limits have been exceeded.

Human Resources Commission (six directors)

This commission supports the Board of Directors on all matters relating to the Group's policies and risk management of issues related to human resources and overall compensation, the creation and development of the integration and the skills development program of the managers and employees, the succession plan, including the creation and maintenance of the profile of managers and employees, and annual salary recommendations, including incentive plans, group insurance plans, syndicate relations. Its mandate excludes the review of files relating to the conditions of employment of the President and Chief Executive Officer.

Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group (five directors)

This committee supports the Board of Directors regarding the President and CEO's remuneration, working conditions, annual objectives and performance review.

Corporate Governance and Responsible Finance Commission (six directors)

This commission assists the Board of Directors in applying and updating the corporate governance program. To this end, it examines the guidelines and reports of the regulatory agencies. It oversees the selection process for the directors of Desjardins Group's subsidiaries. It is responsible for supervising the performance review program for members of the Board and its commissions and committees, as well as the integration and skills development program for the Federation's directors. Finally, it ensures the implementation of various policies, including the Compensation Policy for Board Members and the policy on Desjardins Group's commitment to sustainable development.

Desjardins Group Investment Commission (six directors)

This commission has a fourfold role. It must carry out monitoring activities and develop an integrated vision, provide a Group-wide framework for the positioning and assets distribution of the portfolios of the various entities, monitor strategies and orientations, and act as an advisory body. It performs these roles in a complementary and non-overlapping manner with those of the Risk Management Commission and the investment committees of the other Desjardins Group entities.

Audit and Inspection Commission (six directors)

This commission reviews all financial information, oversees the required accountability and plays a leading role in overseeing financial reporting controls and assessing their adequacy to requirements. It reviews all financial information, supervises the required reporting activities and plays a lead role in overseeing financial disclosure controls and assessing their accuracy. The Audit and Inspection Commission has a direct line of communication with the Desjardins Group Monitoring Office, which oversees the internal audit of the Desjardins subsidiaries and components and the inspection of the Quebec and Ontario caisses. It also has a line of communication with the external auditors, should the need arise to discuss and review any issues. The Audit and Inspection Commission ensures the independence of the Desjardins Group internal audit sector and adopts its annual action plan. For more information on the Audit and Inspection Commission, please see "Audit Committee Information" in this Annual Information Form.

Election Committee (five caisse directors)

This committee oversees the smooth running of the electoral process on the Board of Directors and the Board of Ethics and Professional Conduct. It also manages the entire process surrounding the election of the President and Chief Executive Officer. It establishes the framework for electoral processes and ensures their respect, sets up the processes allowing electoral colleges to adequately carry out their role, and analyses the candidate applications received in light of the profile adopted by the Board of Directors and the Board of Ethics and Professional Conduct. It shall establish any other measures or operation or organization rule relating to the proper conduct of electoral processes and shall take any other decision relating to these processes.

PERFORMANCE REVIEWS

Performance reviews

The Board of Directors and its commissions and committees conduct a review of their performance and the contribution of each member every two years. A two-year action plan based on these performance reviews is then recommended to the Board by the Corporate Governance and Responsible Finance Commission, which oversees its follow-up.

The process also includes a one-on-one meeting between each director and the Chair of the Board. The objective of these meetings between the Chair and the directors, whether formal or informal, is to improve the performance of the different bodies and the contribution of each director. The Chair conducts these meetings on a regular basis throughout the year. The Vice-Chair of the Board of Directors, who is also the lead director, meets regularly with the members of the Board of Directors to ensure independence and exemplarity in conduct.

Director skills

The Board of Directors has adopted a collective profile that meets the criteria that govern the selection of Board members by the general meeting. This profile also guides the disclosure of the adequacy between these criteria and the composition of the Federation's Board of Directors.

In addition, on the recommendation of its Governance and Responsible Finance Commission and in accordance with the Guideline Governing Integrity and Competency Criteria of the AMF, the Board of Directors carries out a self-assessment process to assess the skills of its members. As such, each member completes a self-assessment grid designed for this purpose. The results feed into the skills development plan. This process is followed by individual interviews conducted by an external firm with members of the Board of Directors and the Board of Ethics and Professional Conduct. The results of self-assessments and individual interviews inform the skills development plan of our bodies. The information starting on page 195 of the Annual Report, incorporated herein by reference, shows that the members of the Board of Directors of the Federation collectively possess a wide range of experiences and complementary skills that enable them to make an active and informed contribution to the governance of Desjardins Group. The new group profile adopted by the board and the skills of its members are reviewed together annually, and the results show what the board needs to focus on to gradually achieve this profile. This voluntary disclosure will evolve over time.

It should be noted that the weighting of self-assessments is carried out by the Chair and Vice-Chair of the Board of Directors and is presented to the Corporate Governance and Responsible Finance Commission.

The training of board members is designed according to their needs, which are identified during the self-assessment of board members' skills. The results are submitted to the Corporate Governance and Responsible Finance Commission, which then proposes to the Board of Directors the two-year skills development plan.

The Board of Directors also holds seminars on specific topics related to strategic planning and related issues. These seminars held with the members of the Desjardins Group Management Committee are intensive periods of knowledge development for Board members.

Finally, the Board of Directors ensures annually that the mandates of its commissions and committees and the related processes are optimal so that they can effectively support its work. In addition, the Board of Directors regularly reviews the rules relating to the composition of its commissions and committees and the allocation of subsidiary, commission and committee chairs. These commissions and committees are composed entirely or almost entirely of independent persons. At the end of each of their meetings, they hold in-camera sessions without management, except for the Chair of the Board and Chief Executive Officer who is present when he is not required to withdraw for reasons of independence. Their composition and mandate are reviewed annually. A report on the work of each committee and commission is systematically presented at the next Board meeting.

Overall, the Chair of the Board is responsible for the evaluation process and the Corporate Governance and Responsible Finance Commission oversees it.

The Board of Directors also ensures that its major decisions reflect all particular aspects of the cooperative difference of Desjardins Group. The Cooperation and Culture Commission provides support for this step.

Additional information on the Federation's governance on pages 189-212 of the Annual Report is incorporated herein by reference.

SCHEDULES

SCHEDULE A

Rating categories by credit rating agency

Credit rating agency	Rating	Outlook
DBRS	<ul style="list-style-type: none"> Short-term obligations rated "R-1" indicate very strong capacity for payment of short-term financial commitments at maturity. This capacity is not significantly vulnerable to foreseeable events. A rating of "AA" denotes superior credit quality, and protection of interest and principal is considered high. In many cases, they differ from obligations rated "AAA" only to a small degree. Each rating category is denoted by the subcategories "high" or "low." The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. 	<ul style="list-style-type: none"> A negative outlook indicates that a rating is more likely to change in the medium term.
Standard & Poor's	<ul style="list-style-type: none"> "A-1" is the highest rating for short-term obligations and indicates the issuer's strong capacity to meet its financial commitments. An obligation rated "A" indicates that the issuer has strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rate categories. The addition of a "+" or "-" shows the relative standing within the rating categories. 	<ul style="list-style-type: none"> A stable outlook indicates that a rating is not likely to change.
Moody's	<ul style="list-style-type: none"> Short-term obligations rated "P-1" indicate that an issuer has superior ability to meet such obligations. Debt obligations rated "Aa" are judged to be high quality with very low credit risk. Modifiers "1", "2" and "3" respectively indicate that the obligation ranks in the higher end, mid-range or lower end of its rating category. 	<ul style="list-style-type: none"> A negative outlook indicates that a rating is more likely to change in the medium term.
Fitch	<ul style="list-style-type: none"> Short-term obligations rated "F1" denote the highest credit quality and the strongest capacity to repay financial commitments in a timely manner. Debt obligations rated "AA" denote expectations of very low credit risk and are judged to be of high credit quality. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. 	<ul style="list-style-type: none"> A stable outlook indicates that a rating is not likely to change.

Desjardins Group

Audit and Inspection Commission Charter

Updated in October 2020

Approved by the Board of Directors at its meeting held on December 17, 2020
As recommended by the Audit and Inspection Commission on November 6, 2020

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1. MANDATE

The Board of Directors (“Board”), within the scope of its monitoring, control and reporting responsibilities, delegates responsibility for monitoring the financial reporting process to the Audit and Inspection Commission (“Commission”).

To that end, the Commission:

- reviews the combined financial statements and management’s discussion and analysis of Desjardins Group and the financial statements and management’s discussion and analysis of the Fédération des caisses Desjardins du Québec (Federation)¹
- reviews Desjardins Group’s Supplemental Financial Information report
- reviews Desjardins Group’s Pillar 3 Report
- reviews the Federation’s press releases and Annual Information Forms
- reviews the combined annual financial statements of the Quebec caisses
- reviews financial reporting, in particular the independent auditor’s report
- oversees the internal control system
- oversees the management of risks associated with the financial reporting process
- oversees monitoring and external audit processes
- oversees compliance management
- reviews any other issue assigned to it by the Board
- comments on the finance team’s mandate, to the extent that it falls within the scope of the Commission’s responsibilities

The Commission also ensures the independence and objectivity of the independent auditors, and Desjardin Group’s Chief Monitoring Officer (in addition to the responsibilities of the Board of Ethics and Professional Conduct) and Chief Compliance and Privacy Officer, Desjardins Group.

The Commission endeavours to provide an environment that is conducive to transparent discussions among senior management, the independent auditor and the Chief Monitoring Officer of Desjardins Group. The Commission ensures that it understands the external audit strategies and monitoring activities of the Desjardins Group Monitoring Office, and that the main audit and monitoring risks are taken into account. The Commission monitors the work of the independent auditor and the Chief Monitoring Officer and assesses their effectiveness.

The Commission also contributes to the development of the member/client culture, where the focus is on doing what’s best for our members and clients.

This Charter describes how the Commission fulfills the mandate entrusted to it by the Board. The Commission complies with the regulatory requirements for a reporting issuer set out in Regulation 52-110. Desjardins Group has elected to be governed by the requirements that apply to a reporting issuer. The Federation is a reporting issuer with an

¹ In the text, the term "the Federation’s financial statements and management’s discussion and analysis" refers to the Federation’s interim and annual consolidated financial statements and management’s discussion and analysis and non-consolidated annual report.

obligation to meet these requirements. Where Regulation 52-110 provides no guidance, the rules pursuant to the *Act Respecting Financial Services Cooperatives* (the Act), or Desjardins Group's *Policy on the Composition of Commissions and Committees* have been cited.

It should be noted that, within Desjardins Group, the Federation's Human Resources Commission assists the Board with its directing, planning and monitoring activities by formulating recommendations on Desjardins Group policies and other governance documents on human resources management and total compensation, succession planning, including succession planning for senior executives, developing and updating the profiles of general managers, managers and employees, risk monitoring and any necessary action plans or programs.

2. OPERATING PRINCIPLES

In carrying out its responsibilities, the Commission is guided by the following principles:

2.1 Rigour and compliance with governance documents

The Commission expects management to act in accordance with the Desjardins Group Code of Professional Conduct, the laws and regulations that apply to Desjardins Group and the Federation, and the principles of sound governance, and to adopt a rigorous approach to compliance, financial reporting and controls.

2.2 Communications

Through the Commission chair, Commission members expect to have direct access to management, employees, the chairs of the other committees and commissions, the independent auditor, the Executive Vice-President of Finance, Treasury, Administration and Chief Financial Officer, the Chief Monitoring Officer of Desjardins Group, and the Chief Compliance and Privacy Officer of Desjardins Group. Commission members also strive to create an environment that is conducive to open, transparent and effective communications with these groups.

2.3 Financial literacy

Commission members are financially literate within the meaning of *Regulation 52-110 respecting Audit Committees*. In particular, they are able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Federation and Desjardins Group.

2.4 Findings and information requirements

The Commission shares its concerns with senior management, the independent auditor and the Chief Monitoring Officer of Desjardins Group, in accordance with their respective responsibilities.

2.5 External resources

For the performance of its responsibilities, the Commission can call on the services of the independent auditor and the Desjardins Group Monitoring Office (the “DGMO”), and can also contract the services of external consultants with specialized expertise, at the Federation’s expense. The Federation’s Corporate Governance Commission recommends calling on an external expert, upon request by a board member.

2.6 Reporting to the Board and general meeting

The Commission chair submits a written report of each meeting at the next Board meeting following the parameters established by the Board of Directors. Each year, the Commission chair drafts an activity report to the Board and the general meeting in the annual report of the Federation and Desjardins Group.

2.7 Commission self-assessment

Every two years, the Commission reviews and discusses its performance, and reviews its role, its responsibilities, and the performance of its members through a self-assessment conducted by its members.

2.8 Independent auditor

The independent auditor is accountable to the Board through the Commission and must report any significant or potentially significant event to the Commission. The independent auditor may call a meeting of the Commission, and must be notified of all Commission meetings.

2.9 Monitoring by the Desjardins Group Monitoring Office (DGMO)

The Commission expects the DGMO to provide independent and objective assurance of the design and effectiveness of the governance, risk management processes and internal controls and their adequacy with respect to Desjardins Group’s activities.

2.10 Risk management

The Commission works together with the Risk Management Commission to monitor the financial risks and internal controls associated with the financial reporting process, for which it is responsible.

2.11 Compliance

The Commission expects the Chief Compliance and Privacy Officer, Desjardins Group to provide assurance on the degree of regulatory compliance and to express an opinion on the use and adequacy of compliance management mechanisms.

2.12 Regulators

The Commission meets as required and reports on its activities to regulators, including the Autorité des marchés financiers.

2.13 Investigative powers

The Commission may investigate any matter that falls within the scope of its activities. For this purpose, it has full access to Desjardins Group’s books, registers, facilities,

management staff and employees. Two Commission members may call a meeting of the Board to discuss any issue of concern to the Commission's members.

3. OPERATIONS

The Commission's processes involve the following aspects:

3.1 Composition

- The Commission has six members appointed by the Board, including the chair. Each Commission member is a member of the Board as described in the policy on commission and committee membership. All Commission members must be independent, as defined in Regulation 52-110. They must not have any relationship or interest that might interfere with their objectivity. If a vote taken by the members results in a tie, the Chair has the casting vote.
- The Commission chair is appointed in accordance with the policy on commission and committee membership. This person must not be the chair of the Board or of any other committee that reports to the Board. The Commission chair must meet all of the qualifications for sitting on the Commission. If the Commission chair is absent from a meeting, the Commission will appoint one of its members to conduct the meeting.
- The term of a member's mandate ranges from one to six years, and may be extended by one or two years in certain exceptional circumstances. However, in order to ensure continuity, all members should not be replaced in the same year.
- The Commission secretary is a person appointed by the Commission but who is not a member.
- The Chief Monitoring Officer, Desjardins Group and the Executive Vice-President of Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group jointly assume functional leadership of the Commission.

3.2 Essential qualifications

Commission member's qualifications should include :

- Financial literacy which can be acquired within a reasonable period after the member's appointment
- Business experience, relevant specialized qualifications, skills and knowledge related to information and communications technologies (ICT)
- Objectivity, integrity, independent thought, sound judgment and pragmatism
- Ability to exercise diligence
- Familiarity with the activities of Desjardins Group and the industry

When nominating Commission members, the Board prefers individuals with experience and skills in auditing, financial reporting, accounting, risk management and actuarial fields, in accordance with the collective profile of the Commission.

3.3 Training and support

- 3.3.1 The Commission must offer new members information or orientation sessions explaining, among other things, the mandate of the Commission, the role and responsibilities of its members, the activities of the organization, its financial statements, accounting practices

and standards, financial policies, internal control requirements, financial ratios, risks, the requirements established by regulators, and compliance policies.

- 3.3.2 Members must take the initiative to enquire about new practices that are likely to influence the Commission's role and responsibilities, so that they can suggest that the Board make whatever changes are required to redefine its mandate.
- 3.3.3 Members must periodically receive information on new accounting standards and recommendations issued by the Accounting Standards Board and regulators, or international practices and their repercussions on the organization if the impact is significant. They must also periodically receive information on sound practices regarding compliance and internal control environment policies.

3.4 Meetings: frequency, attendance and compensation

3.4.1 The Board approves a schedule of statutory meetings at the beginning of the year. Meetings must be held at least once a quarter. Other meetings may be added during the course of the year as necessary. Commission members receive compensation for their services as determined by the policies in effect for the Federation.

3.4.2 Meeting participation:

Regular attendees:

- Commission members
- Senior Executive Vice-President and Chief Operating Officer of Desjardins Group
- Executive Vice-President, Finance, Treasury and Administration and Chief Financial Officer, Desjardins Group.
- Vice-President, Finance, Desjardins Group
- Chief Monitoring Officer, Desjardins Group
- Independent auditor
- Person acting as secretary of the Commission

Attendance by observers:

- To foster communication between the Commission members and the Risk Management Commission, the chair of the Risk Management Commission must receive notice of all of the Commission's meetings, which they may attend.
- A member of the Desjardins Financial Security Audit and Risk Management Committee
- A member of the Desjardins General Insurance Group Inc. Audit and Risk Management Committee
- A Federation board member who is also a caisse general manager.

Observers can participate in deliberations but cannot propose, second or vote on any recommendations made to the Board.

Other attendees:

- The Commission may invite any individual from Desjardins Group to attend all or part of a commission meeting if deemed necessary or desirable

Quorum for any meeting is a majority of members. However, should one or more members need to leave a meeting, with the result that there is no longer a quorum, it may be lowered to the majority of voting members in attendance for the duration of the deliberations on the issue at hand. Any vacancy on the Commission is filled by the Board, if deemed appropriate. Failure to fill a vacancy does not invalidate the Commission's decisions if quorum is present.

The Commission includes on the agenda for each meeting, or on an ad hoc basis, an in-camera discussion period with or without managers or observers present.

3.4.3 The Commission conducts an annual planning exercise for its activities, including:

- The Commission's annual activity plan
- Updating the Commission's charter
- Reviewing Desjardins Group's organization chart to assess whether any changes to the Commission's activities are necessary
- Confirming Commission members' independence
- Assessing Commission members' financial literacy and ICT skills
- Planning member training in relation to responsibilities and good governance practices of the Commission with regards to accounting and regulatory developments and other relevant matters
- Planning the annual Commission meeting schedule

Performance assessments are also conducted every two years for the Commission and each of its members.

3.4.4 The Commission takes minutes of each meeting; these minutes must be approved at a subsequent meeting.

4. DUTIES AND RESPONSIBILITIES

The Commission has the following duties and responsibilities:

4.1 Financial reporting

The Commission must review the interim and annual combined financial statements of Desjardins Group, the interim and annual financial statements of the Federation, the annual combined financial statements of the Quebec caisses, the interim and annual management's discussion and analysis of Desjardins Group and the Federation, including ancillary documents, and recommend that the Board approve them prior to their publication. The Commission must ensure the quality and integrity of the presentation and reporting of financial information in accordance with IFRS, and the use of appropriate accounting practices. The Commission must ensure that Desjardins Group and the Federation disclose clear, comprehensive and relevant financial information to users, that the information is consistent over time, and that it is comparable from one financial entity to another.

4.1.1 On a quarterly and annual basis, the Commission must:

- Determine whether the financial statements, including any schedules, and the management's discussion and analysis fairly present the organization's financial position and its results and activities for the period.

- Evaluate the quality of the financial statements and determine whether they are IFRS-compliant.
- Determine whether management is using appropriate and consistent accounting practices, and obtain the opinion of the independent auditor thereon.
- Verify whether its accounting practices are comparable to those used in the industry or by other Desjardins Group entities.
- Review the effects of adopting new accounting policies with management and the independent auditor.
- Review with management any significant decisions made while preparing the financial statements and management's discussion and analysis.
- Obtain a letter from management certifying the reliability of the results and use of appropriate accounting practices (representation letter).
- Review and revise financial certification processes, the information disclosed in the management's discussion and analysis and financial statements and the certificate signed by the President and Chief Executive Officer and the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group that must be included in the annual and interim public filings of Desjardins Group and the Federation in compliance with Regulation 52-109.
- Pay special attention to complex or unusual transactions, particularly acquisitions, discontinued operations and related party transactions.
- Make a particular point of reviewing any items involving subjective interpretation, such as the valuation of assets and liabilities and provisions/reserves (including tax provisions) or other commitments.
- Review litigation matters and determine whether they are sufficiently provisioned.
- Ensure the materiality threshold is not exceeded.
- Ensure that regulatory ratios are met and that the balance sheet is balanced, and that the business's liquidity and funding capacity indicators are met.
- Review press releases on significant financial information and any other significant financial reporting, including the "Supplemental Financial Information" report and Desjardins Group's Pillar 3 Report.
- Review Desjardins Group's report entitled "Managing Desjardins's climate-related risks and opportunities".
- Review quarterly certificates for reports to the AMF.
- Review the impact on the financial statements of new regulatory or accounting measures as well as off-balance sheet structures.
- Review the independent auditor's report accompanying the annual and interim financial statements.
- Pay special attention to the disclosure of performance measures, including non-IFRS-compliant financial measures, particularly the degree to which they are consistent, comparable and transparent, in comparison with those used in the industry and by other Desjardins Group entities.

- Meet in camera on a quarterly basis with the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group.
- Recommend that the Board approve the financial statements, management's discussion and analysis, press release, "Supplemental Financial Information" and Desjardins Group's Pillar 3 Report.

4.1.2 Annually, the Commission must:

- Review the Federation's Annual Information Form including the information set out in Form 52-110F1 "Audit Committee Information Required in an AIF", and recommend that the Board approve it.
- Review the Federation's unconsolidated annual report and recommend that the Board approve it.
- Enforce and update, as needed, and recommend that the Board approve Desjardins Group's policy on material financial information disclosure.
- Ensure that appropriate procedures are in place to review public reporting of financial information extracted from or based on financial statements other than information in the documents referred to in section 4.1, and periodically assess the appropriateness of those procedures.
- Review tax and tax planning issues that are material to the financial statements.
- Ensure that all taxes, income taxes and payroll deductions have been paid for the Federation.

4.1.3 When securities are issued and programs are renewed, review prospectuses prior to publication.

4.2 Internal controls

The Commission is responsible for ensuring that management has established and implemented an effective internal control system for financial reporting, safeguarding assets, detecting fraud and compliance. The Commission must also:

- 4.2.1 Direct management to design, implement and maintain internal control procedures, including controls to prevent, identify and detect fraud, and assess their effectiveness.
- 4.2.2 Review steps taken by management based on recommendations on internal controls made by the independent auditor and the Chief Monitoring Officer, Desjardins Group.
- 4.2.3 Receive from management, the independent auditor, the Chief Monitoring Officer, Desjardins Group, the Vice-President, Finance Division, and from other units, regular reports on major control deviations or fraud detection, including those involving management, and the steps taken to address these deficiencies.
- 4.2.4 Obtain an annual assessment from management on the effectiveness of its internal control system and procedures, including the audit strategy for outsourced services, and audit results.
- 4.2.5 Review fraud detection and prevention programs and policies.
- 4.2.6 Ensure procedures are in place to receive, retain and process complaints received about accounting, internal controls or audit matters and ensure that an accountability report is obtained.

- 4.2.7 Ensure that procedures are in place to allow employees to make confidential, anonymous reports of questionable accounting or audit matters and ensure that a report is obtained.
- 4.2.8 Ensure that a report is received annually from the financial governance officer.

4.3 Risk management

- 4.3.1 Work closely with the Risk Management Commission to ensure that major financial risk is appropriately managed and controlled. Discuss measures put in place to manage and present information concerning these risks.
- 4.3.2 Obtain an opinion from the independent auditor and Chief Monitoring Officer, Desjardins Group about financial reporting risks.
- 4.3.3 Meet annually, and as needed within the scope of the Commission's responsibilities, with the General Counsel, Executive Vice-President, Information Technology, actuarial services and other units as required.
- 4.3.4 Meet in camera annually and as needed with the Senior Executive Vice-President and Chief Operating Officer of Desjardins Group.

4.4 Compliance

Ensure that Desjardins Group entities are equipped with and apply a compliance management framework that allows the Chief Compliance and Privacy Officer, Desjardins Group to provide reasonable assurance that it is operating in compliance with regulations and that regulatory risks are being effectively managed.

- 4.4.1 Ensure and maintain the independence of the Chief Compliance and Privacy Officer, Desjardins Group.
- 4.4.2 Examine the Chief Compliance Officer's reports on compliance management, anti-money laundering and anti-terrorist financing, anti-tax evasion and sound business practices, including privacy protection and the effectiveness and adequacy of the compliance framework for Desjardins Group and the Federation.
- 4.4.3 Ensure that the Chief Compliance Officer has sufficient resources to properly carry out their responsibilities with regard to both Desjardins Group and the Federation.
- 4.4.4 Examine reports produced by the DGMO on compliance management and on the use and effectiveness of compliance management mechanisms. Ensure that appropriate follow-up action is taken.
- 4.4.5 Receive quarterly and annual reports issued by the Chief Compliance and Privacy Officer, Desjardins Group.
- 4.4.6 Meet in camera annually and as needed with the Chief Compliance and Privacy Officer, Desjardins Group and the Chief Anti-Money Laundering and Anti-Tax Evasion Officer Desjardins Group.

4.5 Regulatory authorities

- 4.5.1 Examine and take follow-up action on relevant correspondence regarding requests or inquiries about internal controls, as well as any other relevant reports produced by oversight bodies that pertain to Desjardins Group and its components, and that fall within the purview of the Commission.

- 4.5.2 Examine reports written for regulatory authorities that are deemed relevant and fall within the purview of the Commission and ensure that the reports meet the authorities' requirements.

4.6 External audit

The independent auditor is directly accountable to the Commission. The Commission is directly responsible for overseeing the work of the independent auditor engaged for the purpose of preparing or issuing the annual audit reports or interim review reports or performing other audit, review or certification services. The Commission is responsible for assessing and monitoring the independent auditor's independence, objectivity and effectiveness.

In order to meet its responsibilities in that respect, the Commission must:

- 4.6.1 Ensure and maintain the skills, independence and the objectivity of the independent auditor by:
- 4.6.1.1 Reviewing on an annual basis the manner in which services are delivered by the independent auditor, to assess their effectiveness and quality, to be in a position to recommend to the Board whether they should be appointed or reappointed, and participating in the selection committee if the Board decides to issue a call for tenders, pursuant to the Desjardins Group Independent Auditors Policy.
 - 4.6.1.2 Setting the independent auditor's compensation and recommending it to the Board for approval.
 - 4.6.1.3 Preapproving all non-audit services provided to Desjardins Group, the Federation and their subsidiaries, in accordance with the procedure set out in the Desjardins Group Independent Auditors Policy.
 - 4.6.1.4 Recommending policies to the Board and adopting specific procedures for engaging non-audit services.
 - 4.6.1.5 Ensuring that management complies with the procurement policy or rules in effect in awarding service contracts to its independent auditor.
 - 4.6.1.6 Receiving on a quarterly basis a detailed list of any new contracts awarded to the independent auditor by each entity.
 - 4.6.1.7 Maintaining a direct line of communication with the independent auditor.
 - 4.6.1.8 Examining the policies governing the hiring of employees or partners (or former employees or partners) of the independent auditor (or of a former independent auditor), as set out in the Desjardins Group Independent Auditors Policy, and recommend such policies to the Board for approval.
 - 4.6.1.9 Ensuring that the lead audit partner, the concurring partner and other audit partners are rotated.
 - 4.6.1.10 Examining the internal policies and procedures followed by the independent auditor to maintain their independence and discussing these policies and procedures with the independent auditor.
 - 4.6.1.11 Receiving annual confirmation of the independent auditor's independence, including disclosure of any relationships the independent auditor (and their firm) may have with Desjardins Group and its related parties in the performance of their related activities that, in the independent auditor's

professional judgment, may reasonably be thought to affect their independence.

- 4.6.2 Approve the scope of the annual audit plan and the proposed approach.
- 4.6.3 On an annual basis, review the materiality threshold based on audit-related risks.
- 4.6.4 Examine the post-audit report and comment on the mission highlights, the summary of variances (whether corrected or not), the quality of the accounting principles used, and anti-fraud activities.
- 4.6.5 Ensure compliance with accounting and actuarial practices and ensure that such practices are prudent and appropriate.
- 4.6.6 Examine the recommendation letter or any other report submitted to management and ensure follow-up action is taken.
- 4.6.7 Examine the coordination of work between the independent auditor and the Chief Monitoring Officer of Desjardins Group and how the information is used.
- 4.6.8 Once each year, discuss with the independent auditor their internal quality control procedures and the summary of their Canadian Public Accountability Board (CPAB) inspection results.
- 4.6.9 Discuss the recognition and presentation of certain transactions, estimates, decisions and assumptions made by management.
- 4.6.10 Resolve any disputes between management and the independent auditor in connection with financial reporting.
- 4.6.11 On a quarterly basis, meet with the independent auditor in camera.
- 4.6.12 Ensure that the independent auditor has the skills and resources to adequately perform their responsibilities.

4.7 Finance team

The Commission may:

- 4.7.1 Submit remarks, if considered necessary, to the Senior Executive Vice-President and Chief Operating Officer of Desjardins Group regarding the performance of the mandate of the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group, to the extent that it falls within the scope of the Commission's responsibilities.

5. DUTIES AND RESPONSIBILITIES REGARDING OVERSIGHT OF DESJARDINS GROUP

The Commission assists the President and Chief Executive Officer of Desjardins Group in overseeing the activities of the Chief Monitoring Officer, Desjardins Group.

The Chief Monitoring Officer, Desjardins Group receives their oversight mandate pursuant to the Act¹ in respect of the caisse network and from the Commission and the audit commissions/committees in respect of its subsidiaries.

The responsibilities of the monitoring function are defined by the Commission and the subsidiaries' audit commissions/committees as part of their respective monitoring roles.

The Commission, through the BEPC, is part of the process of recommending to the Board of Directors the appointment or the removal of the Chief Monitoring Officer, as

¹ Act Respecting Financial Services Cooperatives, CQLR c C-67.3

head of the Monitoring function. The chairs of the subsidiaries' audit commissions/committees are involved in the approval process.

The Commission and subsidiaries' audit commissions/committees assist with the assessment of the performance and effectiveness of the monitoring function.

Under the Act and the governance documents in effect, the Commission must:

- 5.1 Ensure and maintain the independence and objectivity of the Chief Monitoring Officer, Desjardins Group. To this end, the Commission is required to issue annually an opinion to the BEPC confirming that the Chief Monitoring Officer has performed his role without interference from management with respect to the internal audit component.
- 5.2 Understand the strategies used to develop the DGMO's annual internal audit plan (including oversight of the caisse network).
- 5.3 Ensure that the DGMO's annual internal audit plan takes into account the main risks faced by the organization.
- 5.4 Approve the DGMO's annual internal audit plan and any changes that may subsequently be made.
- 5.5 Ensure that the DGMO's annual internal audit plan is carried out and that the Commission receives adequate reports on a quarterly basis.
- 5.6 Ensure that appropriate action is taken by management in response to the DGMO's recommendations.
- 5.7 Receive the DGMO's overall opinion every year on the effectiveness of governance, risk management and internal controls within Desjardins Group (the GRC opinion).
- 5.8 Ensure that the Chief Monitoring Officer, Desjardins Group discloses to the Commission any significant outsourcing agreement with external providers that are subject to the requirements of Desjardins Group Operational Risk Management Directive.
- 5.9 Recommend that the Board approve the DGMO's oversight framework (which also serves as Desjardins Group's internal audit charter).
- 5.10 Ensure that the DGMO's work is coordinated with that of the independent auditor.
- 5.11 Resolve disagreements between management and the Chief Monitoring Officer, Desjardins Group, and review any issues encountered in its work.
- 5.12 Ensure that the Chief Monitoring Officer, Desjardins Group has sufficient resources and access to the information needed to properly discharge their responsibilities.
- 5.13 On a quarterly basis, meet with the Chief Monitoring Officer, Desjardins Group in camera.
- 5.14 Convene statutory annual in-camera sessions with the President and Chief Executive Officer of Desjardins Group to discuss the evaluation of the performance of the Chief Monitoring Officer of Desjardins Group.

SCHEDULE C

Policy: Independent auditors of Desjardins Group

Code	To be determined
Title	Independent auditors of Desjardins Group
Type	Desjardins Group financial policy
Initial effective date	June 2001
Last updated	September 2018
Review frequency	Every five (5) years
Target component	Desjardins Group components
Responsible unit	EVP, Finance, Treasury, Administration and Chief Financial Officer
Authority	Board of Directors of the <i>Fédération des caisses Desjardins du Québec</i>
Distribution	Available to all officers and management and non-management employees of Desjardins Group
Target audience	All Desjardins Group components

1. STATEMENT

This policy has the following five (5) purposes:

1. It sets out the administrative rules determining selection of independent auditors for Desjardins Group, the *Fédération des caisses Desjardins du Québec* (Federation), the Desjardins caisses in Quebec (combined), the components and the investment funds, excluding the Desjardins caisses in Quebec (individual) and those of the *Fédération des caisses populaires de l'Ontario*, and recommending their appointment to decision-making bodies.
2. Although it is not a reporting issuer for the purposes of applicable securities regulations, Desjardins Group has elected to apply the practices set out in Regulation 52-109, thereby demonstrating its intention to comply with best practices in financial governance. Desjardins Group has implemented oversight mechanisms for services that may be rendered by the independent auditor of each of its entities. These protections complement those issued by the profession, legislation and regulations, as well as accounting firms.
3. The Audit and Inspection Commission (AIC) and the Board of Directors recommend, for approbation at the annual general meeting of the Federation, the nomination or the removal of the independent auditor. The AIC recommends for approbation by the Board of Directors the independent auditors' fees for audit and non-audit services.
4. The AIC may delegate to one or more of its independent members the authority to preapprove fees for non-audit services. Any such preapproval by the authorized delegates shall be presented to the AIC for ratification at its first regularly scheduled meeting following the preapproval.
5. Certain employment and other relationships between Desjardins Group and current or former employees and partners of independent auditors could compromise the independence and effectiveness of the independent auditors. Therefore, the nature of these relationships requires clarification.

2. OBJECTIVES

This policy aims to meet the following five (5) objectives:

1. Develop an overall strategy for Desjardins Group covering the independent auditor selection and appointment process as well as rules for soliciting donations, sponsorships, partnerships and any other type of contribution from the external auditors.
2. Implement oversight mechanisms for the appointment of and the services that may be rendered by the independent auditor of each of its entities as well as for the quality of the independent auditors' work.
3. Implement a procedure for preapproval by the AIC of fees for services provided by the independent auditor.
4. Implement a procedure for delegation by the AIC of preapproval authorizations for non-audit services.
5. Implement rules for recruiting accounting firm personnel.

3. TERMINOLOGY

In the context of a Desjardins Group approach, all the components and investment funds are subject to this policy. Note that the combined financial statements of Desjardins Group are audited by the independent auditors.

Financial reporting oversight functions

The term "financial reporting oversight functions" covers functions where a person in that position can potentially influence the content of accounting documents or any person who is in charge of preparing these documents, which include in particular the following positions and any similar function.

- Director
- President and Chief Executive Officer
- Senior Executive Vice-President and Chief Operating Officer
- Executive Vice-President, Finance, Treasury and Administration and Chief Financial Officer
- Chief Monitoring Officer
- Chief Treasurer
- Chief Legal Officer
- Vice-President, Finance Division

Audit engagement team

The term "audit engagement team" includes all the partners, principals and professionals of the independent auditor participating or serving as "advisor" in an audit, review or attest engagement for Desjardins Group. The advisory services are related to technical or industry issues, transactions or events.

4. POLICY COMPONENTS

4.1. Independent auditor selection

4.1.1. Independent auditor's term of appointment

- 4.1.1.1. Annually, the Audit Committee, in the case of reporting issuers, the AIC or the Board of Directors of the Federation, of each component or investment fund, assess, together with management, the quality of the independent auditor's work, with a view to recommending its reappointment. If a component or an investment fund decides not to reappoint the independent auditor, such decision must be deferred to the AIC, who will make a recommendation to the Board of Directors to recommend the removal of the independent auditor at the annual general meeting of the Federation.

The *Autorité des marchés financiers* must, within 10 days, be informed of the resignation of the auditor or of the decision of the Federation to propose its removal during its current appointment period.

- 4.1.1.2. After a period of five years, a more in-depth review of processes and the quality of the independent auditor's work is carried out for all the components and investment funds. Upon recommendation of the Audit Committee or the AIC, the Board of Directors of the component in question shall decide on the matter.

- 4.1.1.3. The independent auditor shall be appointed annually by the Annual general meeting of the Federation or by the Board of Directors of the components or the investment funds upon a recommendation of the Board of Directors of the Federation, following a recommendation of the CAI or of the Audit Committee of the components.

4.1.2. Request for proposals

The Board of Directors is responsible for deciding whether or not to issue a request for proposals. If so, the Audit Committee and the AIC shall ensure that:

- None of the accounting firms are in a legal dispute with any of the other investment funds or components;
- The selection criteria are clearly defined;
- A request for proposal template is used.

4.1.3. Selection committee

To ensure that the selection process under a request for proposals is aligned with the policy objectives and guidelines, the selection committee shall be comprised of the members of the AIC and the Audit Committee of the components as well as the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer and the Chief Monitoring Officer of Desjardins Group. An additional non-voting member shall serve as coordinator. The committee shall consult the Senior Executive Vice-President and Chief Operating Officer regarding the request for proposals process.

The selection committee shall determine a rating scale for the following and other factors:

- The expertise of the team proposed by the accounting firm, for the area of business;
- The accounting firm's capacity to meet the requirements of regulatory organizations;

- The availability of resources;
- The range of services authorized and available;
- The audit fees.

4.1.4. Soliciting independent auditors

Given the importance of protecting their independence and objectivity, the independent auditors shall be considered as suppliers with a privileged status. In this respect, the solicitation of donations, sponsorships, partnerships and any other type of contribution could be detrimental to maintaining such independence and objectivity.

Accordingly, any type of solicitation amounting to over \$25,000, made directly or indirectly by a Desjardins Group manager or by a member of the Board of Directors is strictly prohibited, whether on behalf of himself/herself or an organization that he/she represents, unless authorization is obtained from the AIC or the Audit Committee of the component or the investment fund in question.

4.1.5. Monitoring the application of the policy

- 4.1.5.1. The AIC of the Federation shall monitor the awarding of engagements to independent auditors of components and investment funds subject to this policy.
- 4.1.5.2. The Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer shall present the following to the AIC every year:
 - A report on the quality of services rendered by the independent auditors, as assessed by management and the Audit Committee of each of the components and investment funds;
 - A summary of fees paid for the independent audit.

4.1.6. Exemptions

In the event of a request for exemption from the policy, excluding Section 4.1.5, the component or the investment fund in question shall obtain prior authorization from the Board of Directors of the Federation which shall consult with the AIC.

4.2. **Rules for awarding contracts for related services to the auditors of Desjardins Group**

The current rules meet the requirements of securities regulations, particularly the provisions of *Regulation 52-110 respecting Audit Committees* adopted by the Canadian Securities Administrators, which set forth the framework that applies to these services.

Therefore, where circumstances permit, one of the principles adopted is that Desjardins Group will favour the use of accounting firms other than the component's independent auditor.

4.2.1. Main threats to independence

According to the Canadian Institute of Chartered Accountants (CICA), certain interests, activities and relationships, in the context of an audit engagement, can pose a threat or risk to independence:

- Self-review threat

When a practitioner provides assurance on his or her own work

- Self-interest threat
When a practitioner could benefit from a (direct or indirect) financial interest in a client
- Advocacy threat
When a practitioner promotes a client's position or opinion
- Familiarity threat
When a practitioner becomes too sympathetic to a client's interests
- Intimidation threat
When a practitioner is deterred from acting objectively by actual or perceived threats from a client

4.2.2. Independent auditor

4.2.2.1. Federation

For the independent auditor of the consolidated financial statements of the Federation, the combined financial statements of Desjardins Group and the combined financial statements of the Desjardins caisses in Quebec, these guidelines apply to all of the services offered by the independent auditor to all or each of the components of Desjardins Group.

4.2.2.2. Other components

For any component whose independent auditor is not identified in Section 4.2.2.1, these guidelines apply only to services rendered to that component by its auditor.

4.2.3. Authorized services

The independent auditor may offer the following services:

4.2.3.1. Audit services

- All services rendered in accordance with generally accepted auditing standards in order to meet responsibilities associated with providing an opinion on the financial statements, and reviewing annual reports as well as other regulatory reports of the various entities of Desjardins Group.
- Examining the financial statements and reviewing the quarterly financial reports.

4.2.3.2. Audit-related services

Assurance and related services provided by the independent auditor that are related to the audit or review of the financial statements, including:

- Audit of the employee benefit plans;
- Due diligence for mergers and acquisitions (safeguard required: specific preapproval of the AIC);
- Accounting advisory services and acquisition-related audits;
- Internal control reviews (safeguard required: specific preapproval of the AIC);
- Attest services not required by legislation or regulations;

- Advisory services relating to financial accounting and financial reporting standards, including opinions on the interpretation and application of generally accepted accounting principles; (note: the independent auditor may comment on opinions issued by the component, but cannot issue its own opinion before the component has given its own);
- Comfort letters;
- Translation of financial statements and other financial reports.

4.2.3.3. Tax services

All services provided by the tax department of the independent auditor.

However, preapproval is required for the following services:

- Tax minimization solutions;
- Advisory services respecting the taxation aspects of merger, acquisition and restructuring strategies;
- Personal tax planning.

4.2.3.4. Other services

Other authorized services:

- Risk management services (*safeguard required: specific preapproval of the AIC*);
- Legislative or regulatory compliance services (*safeguard required: specific preapproval of the AIC*);
- Translation services.

4.2.4. Prohibited services

None of the services listed below may be provided by the independent auditor:

- Bookkeeping and other services relating to the preparation of accounting documents and financial statements;
- Creation and implementation of financial information systems that will be used to generate information that will be integrated into financial statements;
- Actuarial services;
- Valuation services;
- Internal Audit services or work usually carried out under the control of the internal auditor;
- Management and human resources functions;
- Brokerage services, investment consulting services and investment banking services;
- Legal services in connection with the settlement of a dispute or litigation;
- Expert services in connection with a civil, criminal, regulatory, administrative or judicial proceeding or investigation.

4.2.5. Exemption procedure

Only the AIC of the Federation may approve exceptions to this policy for each component of Desjardins Group. Whenever necessary, it shall request the opinion of the Audit Committee of the component in question.

This permission may be granted when it is deemed reasonable to believe that the results of these services will not be subjected to audit procedures when the financial statements are audited, that the said exceptions are in the best interests of Desjardins Group and will not pose a threat to the independence of the independent auditor.

4.2.6. Approval process

4.2.6.1. Annual audit plan

The Audit Committee or Commission of the component at issue shall review and approve the annual audit plan submitted by the independent auditor. The AIC shall do the same for Desjardins Group. Any engagement to attest the financial statements shall therefore be deemed approved by the AIC.

4.3. Specific responsibilities of the AIC or the Audit Committee

4.3.1. For the independent auditor contemplated by the section 4.2.2.1

Under subsection 2.3 of *Regulation 52-110 respecting Audit Committees* of the Canadian Securities Administrators:

- The AIC shall supervise and preapprove all audit services performed by the independent auditor of the consolidated financial statements of the Federation, the combined financial statements of Desjardins Group and the combined financial statements of the Desjardins caisses in Quebec.
- The AIC shall supervise and preapprove all audit-related services provided by the independent auditor of the consolidated financial statements of the Federation, the combined financial statements of Desjardins Group and the combined financial statements of the Desjardins caisses in Quebec to the components of Desjardins Group.
- The Audit Committee (AC) of a component shall supervise and preapprove all audit and audit-related services provided by the independent auditor to that component.
- The AIC shall preapprove all non-audit services that the independent auditor of the consolidated financial statements of the Federation, the combined financial statement of Desjardins Group, the combined financial statements of the Desjardins caisses in Quebec (combined financial statements) must provide to the Federation, Desjardins Group and the components of Desjardins Group.

4.3.2. For the independent auditor contemplated by section 4.2.2.2

The Audit Committee (AC) of the component shall preapprove all non-audit services that the independent auditor must provide to the component.

4.3.3. Procedures

Note: For the purposes of this section, the expression “responsible AC” means, where applicable, the Audit Committee referred to in section 4.3.1 or 4.3.2.

- 4.3.3.1. The responsible AC may delegate its preapproval power for non-audit services to one or several of its independent members, provided that preapproved mandates are tabled for approval by the responsible AC at the following regular meeting.
- 4.3.3.2. The responsible AC may set guidelines and procedures for preapproving non-audit services if (i) preapproval guidelines and procedures are detailed for the contemplated services, (ii) the responsible AC is informed about each of the non-audit related service, and (iii) the procedures do not include delegation of AC responsibilities to management.

- 4.3.3.3. The Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer, with the collaboration of each of the components' management, ensures the preapproval follow-up for the non-audit related service granted for Desjardins Group and for each of the components, and reports to the AIC and the Audit Committee of the component.
- 4.3.3.4. Any new engagement that exceeds the scope of the annual audit engagement and, if applicable, the quarterly review (authorized tax services, accounting advisory services, etc.) shall be preapproved by the responsible AC.
- 4.3.3.5. Management of the component to which the service is provided shall have responsibility for obtaining preapproval from the responsible AC.
- 4.3.3.6. Management shall be responsible for negotiating the best fees for the annual or, if applicable, quarterly audit engagement or any other authorized service.

4.4. Rules governing the recruitment of employees of public accounting firms

4.4.1. Independent auditor

For the independent auditor of the consolidated financial statements of the Federation, the combined financial statements of Desjardins Group and the combined financial statements of the Desjardins caisses in Quebec, the rules apply to all of the independent auditor's employees having participated on an audit engagement team for a Desjardins Group component. For the other independent auditors performing an audit engagement for a component, the rules apply only to the relevant component.

4.4.2. Prohibited relationships

- The current partners, principals, shareholders and professionals of the independent auditor cannot be employees or serve on the boards of directors of any Desjardins Group components.
- An employee of the independent auditor shall not participate on the audit engagement team if the employee's spouse, common-law spouse, child whether dependent or not, father, mother, brother or sister has an accounting role or a financial reporting oversight role with the entity being audited, or had such a position with the entity during a period covered by an audit.

4.4.3. Restriction on recruitment

The former partners, principals, shareholders and professionals of the current and former independent auditor shall be prohibited from serving as directors or having an accounting role or a financial reporting oversight role, unless the following four (4) conditions are met:

1. Does not exercise significant influence over the independent auditor's financial activities and directives.
2. Does not have any debt payable to the independent auditor.
3. Has not entered into any financial agreement with the independent auditor, other than a financial agreement providing for regular payments under a pension plan.
4. Has had no association with the Desjardins customer service team and has not participated on the audit engagement team of Desjardins Group during the blackout period.

4.4.4. Blackout period

The blackout period ends one year after the date on which the financial statements appearing in the annual report of Desjardins Group were filed with a regulator for the fiscal year including the recruitment date.

4.4.5. Preapproval

For financial reporting oversight roles, the AIC, on the recommendation of the Senior Executive Vice-President and Chief Operation Officer of Desjardins Group, shall approve the recruitment, except for directors of a Desjardins Group component, of any person having been employed by the independent auditor during the year preceding the audit engagement.

The Governance Commission, in its role as Nominating Committee for directors of subsidiaries, shall seek the advice of the AIC regarding the blackout period, to hire any person having been employed by the independent auditor during the year preceding the audit engagement.

5. RESPONSIBILITIES, APPLICATION AND REVIEW

The Audit Committee or AIC of the component concerned is legally responsible for preapproving the audit, audit-related and non-audit services of the independent auditors of Desjardins Group, whether they are provided to Desjardins Group or to its components, as well as for recommending policies and adopting specific procedures for retaining audit, audit-related and non-audit services. The AIC is further responsible for assessing and monitoring the independence and effectiveness of the independent auditors. This responsibility has been delegated to the audit committees of the components with regard to their respective independent auditor.

The AIC shall monitor independent auditor independence for all of Desjardins Group, with the exception of the Desjardins caisses in Quebec (individual) and the *Fédération des caisses populaires de l'Ontario* caisses. Each Audit Committee or Commission shall support it in this role. The Board of Directors of a component that has no Audit Committee shall assume this role. In that respect, the AIC of Desjardins Group or the Audit Committee of the component shall:

- Ensure that management of the component complies with the policy or supply rules in effect for that component as regards the awarding of contracts to its independent auditor.
- Receive from each independent auditor, through the Vice-President, Finance Division, Desjardins Group, a detailed list on a quarterly basis of new engagements awarded to them by each entity.
- Receive a written confirmation of independence at least annually from each of the independent auditors, disclosing all relationships the independent auditor and his or her firm have, in engaging in all activities ancillary or incidental to their audit work, with the component and its related parties and which, in their professional judgment, may reasonably be thought to bear on independence.

Note that the Board of Ethics and Professional Conduct is responsible for monitoring the independence and objectivity of the Desjardins Group Monitoring Office.

This policy shall be reviewed at least once every five years and shall fall under the purview of the Executive Vice-President, Finance, Treasury, Administration and CFO, Desjardins Group.

6. DELEGATION

None.

7. EFFECTIVE DATE

This policy shall be effective on the date of its adoption by the Board of Directors.