

ANNUAL INFORMATION FORM

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

Year ended December 31, 2017

March 14, 2018

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AIF: Annual Information Form of the Federation for the fiscal year ended December 31, 2017
AR: Annual Report of the Federation for the fiscal year ended December 31, 2017

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, 2017 (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 System for Electronic Document Analysis and Retrieval (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 REGARDING FORWARD-LOOKING STATEMENTS

The Federation's public communications often include oral or written forward-looking statements. 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. These statements include, but are not limited to, comments with respect to the Federation's objectives regarding financial performance, its priorities, its operations, the review of economic conditions and markets, as well as the outlook for the Canadian, U.S., European and other international economies. Such forward-looking statements include, in particular, those in Section 1.3, "Financial outlook for 2018", Section 1.4, "Changes in the economy", Section 2.0, "Review of the financial results", Section 3.0, "Balance sheet review", and Section 5.0, "Additional information", of the Federation's Annual Report. They are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, forward-looking statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the assumptions made may prove to be inaccurate or the predictions, projections 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. The Federation cautions readers not to place undue reliance on these forward-looking statements, as actual future results, conditions, actions or events could differ significantly from the targets, expectations, estimates or intentions expressed explicitly or implicitly therein.

A number of factors, many of which are beyond the Federation's control and the effects of which can be difficult to predict, could affect the accuracy of the forward-looking statements in this Annual Information Form. These factors include those discussed in Section 4.0, "Risk management", of the Federation's Annual Report such as credit, market, liquidity, operational, insurance, strategic and reputation risks. Additional factors include regulatory and legal environment risk, including legislative or regulatory developments in Quebec, Canada or globally, such as changes in fiscal and monetary policies, reporting guidance, liquidity regulatory guidance, and capital guidelines, or interpretations thereof; and environmental risk, which is the risk of financial, operational or reputational loss for the Federation as a result of environmental impacts or issues, whether they are a result of the Federation's credit or investment activities or its operations. Lastly, there is the risk related to pension plans, which is the risk of losses resulting from pension plan commitments made by the Federation to the benefit of its employees and arising essentially from interest rate, price, foreign exchange and longevity risks.

Other factors that may affect the accuracy of the forward-looking statements in this Annual Information Form include factors related to cyber threats, technological and regulatory developments, household debt and changes in the real estate market, low interest rate environment and geopolitical risks. Additional factors include general economic and business conditions in the regions in which the Federation operates, as well as changes in economic and financial conditions in Quebec, Canada or elsewhere in the world, including short- and long-term interest rates, inflation, debt market fluctuations, foreign exchange rates, financial market volatility, tighter liquidity conditions in certain markets, the strength of the economy, and the Federation's business volume in a given region. Further examples of such factors are monetary policies, the accuracy and completeness of information about customers and counterparties, critical accounting estimates and the accounting standards of the Federation, new products and services intended to maintain or expand the Federation's market share, geographical concentration, acquisitions and partnerships, credit ratings, and climate change and natural disasters.

Other factors that could influence the accuracy of the forward-looking statements in this Annual Information Form include amendments to tax laws, unexpected changes in consumers' spending and saving habits, the ability to implement the Federation's disaster recovery plan within a reasonable time, the potential business impact of international conflicts or natural disasters, and the ability to anticipate and effectively manage the risks associated with those factors, despite a disciplined risk management environment.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could adversely affect the results of the Federation. Additional information on these and other factors is found in Section 4.0, "Risk management", of the Federation's Annual Report. Although the Federation believes that the expectations expressed in these forward-looking statements are reasonable, it can give no assurance that they will prove to be correct. The Federation cautions readers not to place undue reliance on these forward-looking statements when making decisions. Readers should carefully consider such risk factors as well as the other uncertainties and potential events before relying on those forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are described in the section entitled "Financial outlook for 2018" of the Federation's Annual Report. These assumptions may also be updated in the quarterly management's discussion and analysis reports. The forward-looking statements contained in this Annual Information Form represent the point of view of management only as at the date hereof, and are communicated to help readers understand and interpret the Federation's balance sheet as at the dates indicated or the results for the periods ended on such dates, as well as its strategic priorities and objectives, and these statements may not be appropriate for other purposes. The Federation does not undertake to update any verbal 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 federation of financial services cooperatives resulting from the amalgamation with the *Caisse Centrale Desjardins* (Caisse Centrale), by absorption thereof on January 1, 2017 (the Amalgamation) under 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. The head office of the Federation is located at 100 Des Commandeurs Street, Lévis, Quebec G6V 7N5. See the "Fiscal 2017" section of this Annual Information Form for more details on the Amalgamation.

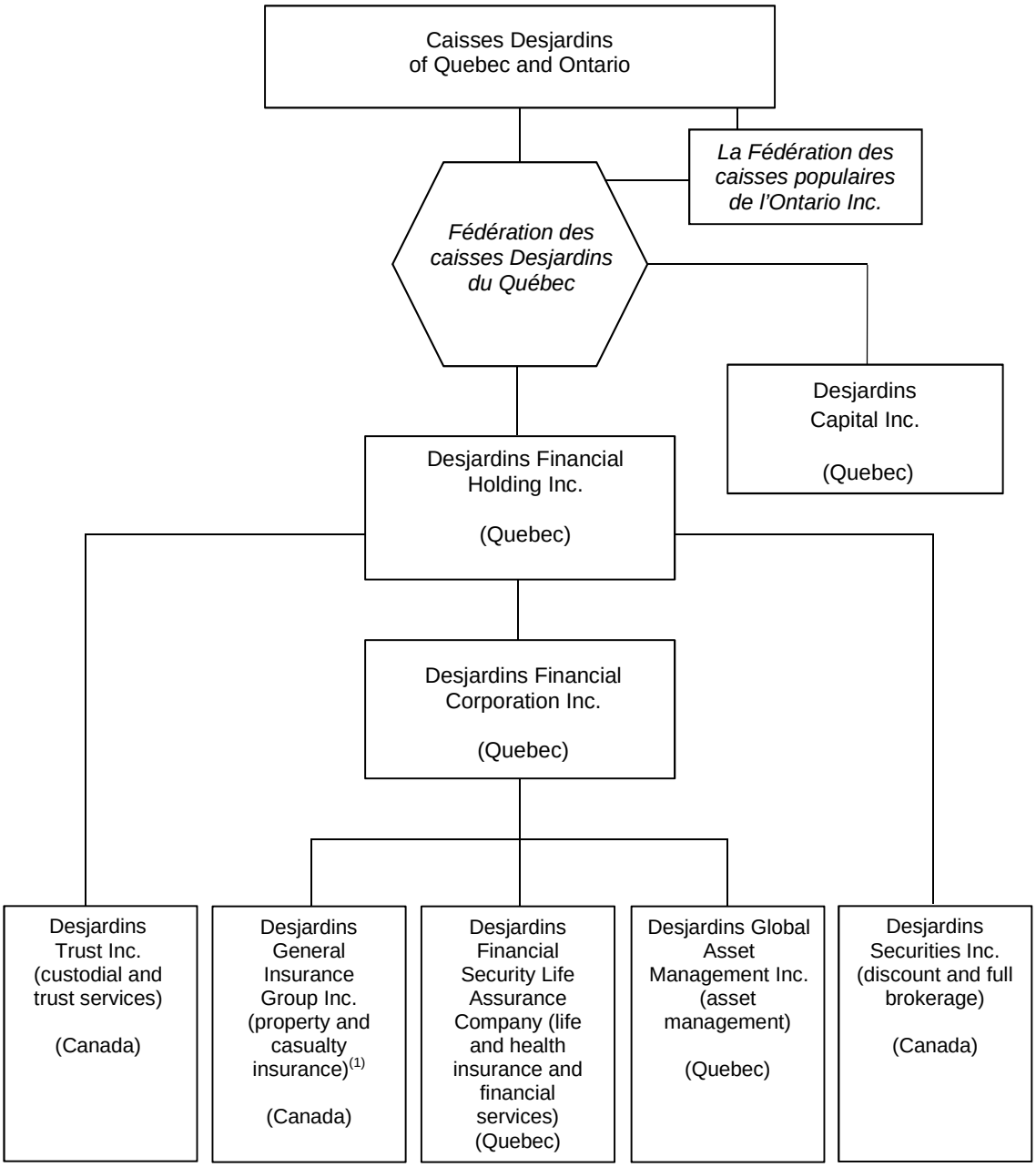
The structure of Desjardins Group (Desjardins Group or Desjardins) has been determined based on the needs of members and clients, as well as the markets in which Desjardins Group operates. Accordingly, the caisse network in Quebec and Ontario can leverage three key business segments — Personal and Business and Institutional 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.

Furthermore, to ensure consistency among Desjardins Group's key business segments, certain functions affect all the activities of the Federation, its subsidiaries and components. These functions consists primarily of Finance, Treasury and Administration, Risk Management, Human Resources and Communications and Information Technology. As of the effective date of the Amalgamation, 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; these roles were formerly assumed by Caisse centrale.

The subsidiaries of the Federation include: Desjardins Capital Inc., which issues securities on capital markets and invests the proceeds therefrom in securities issued by the Desjardins caisses, and Desjardins Financial Holding Inc., which is notably the parent company of Desjardins Trust Inc., which is active in asset custody and trust services; Desjardins Technology Group Inc., which is responsible for the development, maintenance and migration of Desjardins Group technology systems and applications; Desjardins Securities Inc., which offers securities brokerage products and services, and Desjardins Financial Corporation Inc. Desjardins Financial Corporation Inc. 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. Also of note are Zag Bank (financial institution), Desjardins Investment Management Inc. (portfolio and investment fund managers) and Qtrade Canada Inc. (online brokerage and wealth management services)[(1)], all of which are subsidiaries of Desjardins Financial Holding Inc. The Federation manages various funds in accordance with the provisions of the Internal By-laws adopted at its general meeting.

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 its main components, 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.

(1) On December 12, 2017, Desjardins Group and a partnership comprised of Canada's five provincial credit union centrals and The CUMIS Group announced that they had entered into a definitive agreement to merge the businesses of their subsidiaries, Credential Financial Inc., Qtrade Canada Inc. and Northwest & Ethical Investments L.P. See the "Fiscal 2017" section of this Annual Information Form.



(1) The subsidiaries of this entity are 10%-owned by *Groupe des Assurances du Crédit Mutuel SA* (France) as at the date of this Annual Information Form. In addition, *Groupe des Assurances du Crédit Mutuel SA* (France) and State Farm Mutual Automobile Insurance Company (State Farm) hold non-voting preferred shares of the operating subsidiaries of this entity.

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. In addition, representatives of Quebec Desjardins caisses may be elected to office within the various bodies of the Federation.

The Federation has several classes of auxiliary members which are established by by-laws. Any person, except a Quebec caisse, any partnership and any group of persons may be admitted as an auxiliary member. In principle, the rights of the auxiliary members of the Federation are more limited than those of the 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 any 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.

The Federation created two classes of participating auxiliary members: “Federation participating auxiliary members” and “caisse participating auxiliary members”. Any cooperative formed 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 services cooperative may be admitted as a “caisse participating auxiliary member”.

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 the incorporating legislation, laws and regulations applicable to it outside Quebec and any specific agreements between the member and the Federation. The *Fédération des caisses populaires de l’Ontario Inc.* and its member caisses are respectively a “Federation participating auxiliary member” and “caisse participating auxiliary members”.

The members of the Quebec caisses are persons and partnerships that meet the conditions for membership prescribed in the AFSC and caisses by-laws, in particular the conditions relating to the common characteristic set forth in caisses articles, which is determined according to one or more criteria applicable to members, and in particular on the basis of territory, employment status and occupation.

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 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 set forth in caisse articles, 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 that it controls. Investment funds have been set up for one or more of these subsidiaries, in accordance with the AFSC and the provisions of the Federation's by-laws 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 for each of the caisses and, for some investment funds, also for the *Fédération des caisses populaires de l'Ontario Inc.* Such Capital Shares entitle the holder to a share in the net assets of the related investment fund, and the holders, namely the caisses and the *Fédération des caisses populaires de l'Ontario Inc.*, 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, to the exclusion of 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 the Federation's liquidation, insolvency, dissolution or winding-up, the caisses and the *Fédération des caisses populaires de l'Ontario Inc.*, as holders of the Capital Shares in relation to the various investment funds, will share in the remaining assets, after payment of the deposits and other debts of the Federation and the holders of investment shares, if any, concurrently with 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 are held directly or indirectly by the investment funds.

GENERAL DEVELOPMENT OF THE BUSINESS

FISCAL 2017

It should be noted that at special general meetings held on November 28, 2016, delegates of the members of the Federation and Caisse centrale adopted, by a majority of over two thirds of the votes cast, a by-law to amalgamate the Federation with Caisse centrale by absorption of the latter entity. Following the receipt of the required regulatory approvals, particularly from Quebec's Autorité des marchés financiers (AMF), the Amalgamation became effective on January 1, 2017.

As a consequence of the Amalgamation, Caisse centrale continued its existence in the Federation, and their patrimonies now form a single patrimony, that of the Federation. As of the effective date of the Amalgamation, the Federation enjoys all of the rights and is liable for all of the obligations of Caisse centrale, in addition to its own rights and obligations. The federation also has the capacity and powers that were devolved upon Caisse centrale pursuant to the *Act respecting financial services cooperatives* and the *Act respecting the Mouvement Desjardins*.

Among other things, the roles of treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system are assumed by the Federation. Furthermore, the Federation became the issuer under Caisse centrale's debt issuance programs and honours any security issued by Caisse centrale. The Federation also became Caisse centrale's successor in dealings with clearing houses and payment associations.

Following the Amalgamation, the four credit rating agencies, Moody's, Standard & Poor's (S&P), DBRS and Fitch, issued press releases confirming that the Amalgamation did not result in any changes to the credit ratings assigned to Caisse centrale and its issuance programs, as these credit ratings were based on the financial strength of Desjardins Group. Accordingly, the Federation and its issuance programs were assigned the same credit ratings as Caisse centrale prior to the Amalgamation.

Upon the Amalgamation, on January 1, 2017, the issued and outstanding CCD Capital Shares were converted into Class G Capital Shares issued to members of the Federation. As of the Amalgamation date, CCD Capital Shares are no longer part of the authorized share capital of the Federation.

On July 1, 2017, Desjardins Group completed the sale of two of its subsidiaries, Western Financial Group Inc., a financial services company, and Western Life Assurance Company, a life insurance company, to Trimont Financial Ltd., a subsidiary of The Wawanesa Mutual Insurance Company, for a total consideration of $722 million.

On December 12, 2017, Desjardins Group and a partnership comprised of Canada's five provincial credit union centrals (the Centrals) and The CUMIS Group announced that they had entered into an agreement to merge the businesses of their subsidiaries, Credential Financial Inc., Qtrade Canada Inc. and Northwest & Ethical Investments L.P. The transaction will create Aviso Wealth, a wealth management firm, which will be held in equal shares by Desjardins Group and the partnership comprised of the Centrals and the CUMIS Group. The transaction is expected to close in the first quarter of 2018, subject to obtaining the required regulatory approvals and satisfying the customary closing conditions.

During the fiscal year ended December 31, 2017, the Federation issued 24,967,040 Class F Capital Shares for a cash consideration of $249 million, which represents the gross proceeds of this issuance, i.e. $250 million, less certain administrative fees and certain other investment fees totalling $1 million. In addition, the Federation issued 12,535,746 Class F Capital Shares with a value of $125 million as interest payments for when holders elected to receive compensation in Class F Capital Shares. On December 21, 2017, the Federation filed a new short form prospectus and obtained a receipt allowing it to issue Class F Capital Shares totalling $125 million over the twelve months following the receipt date. Subscriptions for this new issuance started on January 23, 2018.

The Federation also issued 4,925,420 Class A Capital Shares for a cash consideration of $25 million and 14,459,580 Class G Capital Shares for a cash consideration of $72 million during the fiscal year ended December 31, 2017.

Furthermore, on December 7, 2017, the Federation's Board of Directors approved the distribution of net income from Class FIN-5A Capital Shares and INV Capital Shares to member caisses for respective totals of $60 million and $8 million.

In 2017, the Federation also participated in new issues under the *National Housing Act* Mortgage-Backed Securities Program totalling $2.4 billion. During the same period, the Federation completed two issues totalling $1,850 million through its Canadian medium-term note program and two issues totalling US$1.8 billion through its multi-currency medium-term note program.

During fiscal 2017, the Federation recorded surplus earnings before dividends to member caisses of $1,416 million, up $225 million or 18.9%. Adjusted surplus earnings[(1)] from specific items, such as the gains and expenses related to the sale of the Western Financial Group Inc. and Western Life Assurance Company subsidiaries, as well as the fees incurred as part of the acquisition of the Canadian operations of State Farm, amounted to $1,199 million, down $25 million or 2.0%.

These results reflect the contribution of the Personal and Business and Institutional Services segment, which totalled $317 million**,** or 22.4% of surplus earnings. The Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segment respectively contributed $612 million and $446 million, or 43.2% and 31.5% of surplus earnings. The Treasury and Other Support to Desjardins Group Entities segment contributed $41 million or 2.9% of surplus earnings.

FISCAL 2016

On March 19, 2016, an electoral college consisting of Desjardins caisse officers from all regions of Quebec and from Ontario elected Mr. Guy Cormier as President and Chief Executive Officer of Desjardins Group for an initial four-year term of office beginning on April 9, 2016. He succeeds Ms. Monique F. Leroux, who held this position since March 29, 2008. In the second quarter of 2016, the Board of Directors approved the formation of a new Management Committee. Mr. Denis Berthiaume was appointed Senior Executive Vice-President and Chief Operating Officer, Desjardins Group, with a mandate to supervise Desjardins Group's overall operations. Mr. Réal Bellemare was appointed Executive Vice-President Finance, Treasury and Administration, Desjardins Group, and succeeded Mr. Daniel Dupuis as Chief Financial Officer on August 13, 2016. The new Management Committee also includes the following members: Mr. Éric Lachaîne, Executive Vice-President, Caisse Network and Member and Client Services; Mr. André Chatelain, Executive Vice-President, Personal Services and Desjardins Group Payments and Marketing; Ms. Marie-Claude Boisvert, Executive Vice-President, Business Services; Mr. Denis Dubois, Executive Vice-President, Property and Casualty Insurance; Ms. Marie-Huguette Cormier, Executive Vice-President, Human Resources and Communications; Ms. Francine Champoux, Executive Vice-President, Risk Management; and Mr. Chadi Habib, Executive Vice-President, Information Technology. On October 21, 2016, Mr. Gregory Chrispin was appointed Executive Vice-President, Wealth Management and Life and Health Insurance.

On May 17, 2016, Desjardins Group announced the sale of its pet insurance subsidiary, Western Financial Insurance Company, to Economical Insurance. The transaction closed on January 1, 2017.

During the fiscal year ended December 31, 2016, the Federation issued 49,776,013 Class F Capital Shares for a cash consideration of $496 million, which represents the gross proceeds of this issuance, i.e. $498 million, less the issue costs of $2 million. In addition, the Federation issued 10,062,747 Class F Capital Shares with a value of $100 million as interest payments for when holders elected to receive compensation in Class F Capital Shares. On December 21, 2016, the Federation filed a new short-form prospectus and obtained a receipt allowing it to issue Class F Capital Shares totalling $250 million over the twelve months following the receipt date. This new issuance started on January 24, 2017.

In 2016, Caisse centrale participated in new issues under the National Housing Act Mortgage-Backed Securities Program totalling $1.9 billion. During the same period, Caisse centrale also completed an issue totalling €1.0 billion through its multi-currency medium-term note program in the European market, as well as an issue of a total of £200 million in medium-term notes. As a consequence of the Amalgamation, the Federation became the issuer under this program and is bound to honour the securities issued.

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(1) See the "Basis of Presentation of Financial Information" section of the Management's Discussion & Analysis in the Federation's Annual Report.

On October 12, 2016, the Federation repurchased all Class B, C and D shares from the caisses for cancellation, for a total of $35 million, as well as 440 qualifying shares for a non-material cash consideration. In addition, on October 27, 2016, the Board of Directors authorized the creation of the new Class G Capital Shares. Upon the Amalgamation, on January 1, 2017, the issued and outstanding CCD Capital Shares were converted into Class G Capital Shares issued to the members of the Federation. As of the Amalgamation date, CCD capital shares are no longer part of the authorized share capital of the Federation. On November 10, 2016, the Board of Directors of the Federation approved the distribution of $455 million in net income from CCD Capital Shares to member caisses. On December 8, 2016, the Board of Directors of the Federation approved the distribution of $92 million and $8 million in net income from Class FIN-5A and INV Capital Shares, respectively, to the member caisses.

On June 1, 2016, Desjardins Capital Inc. called all Series F Senior Notes for early redemption for an amount of $500 million, funded from the proceeds of redemption of the Series F Subordinated Notes issued by the caisses to Desjardins Capital Inc.

On November 4, 2016, Caisse centrale which is amalgamated with the Federation since January 1, 2017, purchased shares for cancellation in an amount of $60 million.

On November 17, 2016, a total of $219,497,358 in interest accrued during the first three quarters of 2016 on the Class A Capital Shares of Caisse centrale was paid to holders on a pro rata basis according to the number of shares held. In addition, on February 23, 2017, a total of $46,735,537 in interest accrued on the Class A Capital Shares of Caisse centrale during the last quarter of 2016 was paid to holders on a pro rata basis according to the number of shares held and the number of days such shares were held during the quarter.

For the fiscal year ended December 31, 2016, the Federation recorded surplus earnings before dividends to member caisses of $1,191 million, up $54 million or 4.7% from $1,137 million for fiscal 2015. This growth resulted primarily from the increase in net interest income, a favourable change in the fair value of derivative financial instruments associated with hedging activities of the Federation and a decline in the provision for loan losses. However, the increase was offset by additional investments in innovative technology platforms, termination benefit payouts, and adjustments to actuarial assumptions related to life and health insurance operations. It should be kept in mind that surplus earnings for 2015 were enhanced by a gain realized on the acquisition of State Farm's Canadian operations.

These results reflect the contribution of $349 million, or 29.3% of surplus earnings, from the Personal Services and Business and Institutional Services segment. The Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segments contributed $461 million and $296 million, respectively, representing 38.7% and 24.9% of surplus earnings. The operations grouped under the Treasury and Other Support to Desjardins Group Entities segment made a contribution of $85 million, or 7.1% of surplus earnings.

FISCAL 2015

On August 1, 2015, Desjardins Group established a new regulated holding company in order to have an additional financing vehicle enabling it to improve its strategic positioning, build on its strength as a financially solid institution and create liquidity for securities issued to finance acquisition transactions. This new company, Desjardins Financial Corporation Inc., is a wholly owned subsidiary of the Federation and holds Desjardins Group interests in the following companies: Desjardins Financial Security Life Assurance Company, Desjardins General Insurance Group Inc., Desjardins Global Asset Management Inc., Desjardins Investments Inc., Western Financial Group Inc., Western Financial Insurance Company and Western Life Assurance Company. Subsequent to a June 30, 2015 decision by the AMF, Desjardins Financial Corporation Inc. is subject to certain provisions of the *Act respecting insurance* and the *Act respecting the Autorité des marchés financiers* pursuant to section 478 of the *Act respecting financial service cooperatives*. On January 1, 2016, Desjardins Group completed the transfer of other wholly owned interests in various companies to Desjardins Financial Corporation Inc. Accordingly, Desjardins Investments Inc. and Desjardins Investment Product Operations Inc. were transferred to Desjardins Financial Security Life Assurance Company, a wholly owned subsidiary of Desjardins Financial Corporation Inc.

On January 1, 2015, Desjardins Group completed the acquisition of all of the State Farm Mutual Automobile Insurance Company (State Farm) business relating to Canadian property and casualty and life and health insurance, mutual funds, loans and living benefits. The purchase of the property and casualty and life and health insurance business was carried out by an asset transfer and assumption of liabilities, while the remainder of the business was acquired by the purchase of company stocks. As a result of this acquisition, Desjardins Group gained a multi-product distribution network that provides access to new clients and enables it to attain a size that should offer competitive advantages, particularly in property and casualty insurance.

On December 19, 2014, the Federation filed a prospectus to issue additional Capital Shares totalling $1 billion. Offered exclusively to Desjardins caisse members in Quebec, these Capital Shares are issued by the Federation and sold through the caisse network. In 2015, the Federation issued 99,385,471 Class F Capital Shares for a cash consideration of $990 million, which represents the gross proceeds from the share issuance, totalling $994 million, net of the issuance fees of $4 million. In addition, the Federation issued 6,476,912 Class F Capital Shares with a value of $64 million as interest payments when the holders elected to receive compensation in Class F Capital Shares. On December 18, 2015, the Federation filed a new prospectus to issue Capital Shares totalling $500 million. This new issuance started on January 25, 2016.

In 2015, Caisse centrale participated in new issues under the National Housing Act Mortgage-Backed Securities Program, with a total participation of $1.4 billion for the year. During the same period, it also carried out three offerings through its multi-currency medium-term note program, consisting of two €1.3 billion offerings in the European market, a US$1.0 billion offering in the U.S. market, as well as a $1.5 billion offering of medium-term notes in the Canadian market. In addition, during the fiscal year, Caisse centrale carried out an issuance of covered bonds in the European market for a total value of €1.0 billion.

In 2015, the Federation issued 56,235,485 CCD Capital Shares for a cash consideration of $290 million.

During the fiscal year ended December 31, 2015, the Federation redeemed 177,481,400 Class PL-2 Capital Shares for a cash consideration of $887 million and returned capital on Class INV Capital Shares for $2 million. These returns of capital did not reduce the number of shares.

On November 13, 2015, the Board of Directors of the Federation approved the distribution of $168 million in net income on CCD Capital Shares, payable on November 23, 2015.

On November 23, 2015, Desjardins Capital Inc. called all Series H Senior Notes for early redemption for an amount of $700 million, funded by the redemption of the Series H Subordinated Notes issued by the caisses to Desjardins Capital Inc.

For fiscal 2015, the Federation recorded surplus earnings of $1,137 million before member dividends, up $242 million, or 27.0%, from $895 million for fiscal 2014. The contribution from the Canadian operations of State Farm and business growth were notable for fiscal 2015. Financing activities, including credit card activities, growth in assets under management resulting from the sale of various products and insurance operations contributed to the increase in operating income.

This result reflects the contribution of $284 million from the Personal Services and Business and Institutional Services segment. The Wealth Management and Life and Health Insurance segment and the Casualty and Property Insurance segment contributed $503 million and $360 million, respectively. The Treasury and Other Support to Desjardins Group Entities segment recorded a $10 million loss.

Finally, Desjardins Group is subject to the U.S. *Bank Holding Company Act* and has been designated a Financial Holding Company (FHC) since October 22, 2015.

DESCRIPTION OF BUSINESS

DESJARDINS GROUP

Desjardins Group is the largest financial cooperative group in Canada, with assets of $275.1 billion. The organization brings together 293 caisses in Quebec and Ontario as of December 31, 2017, the Federation and its subsidiaries (including Desjardins Capital Inc.), the *Fédération des caisses populaires de l'Ontario Inc.* and the *Fonds de sécurité Desjardins*. A number of its subsidiaries and components are active across Canada, whereas Desjardins Group is also present in the United States through Desjardins Bank, National Association. With its Personal and Business and Institutional 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 nearly 46,000 employees and the commitment of over 4,300 elected officers.

The Federation handles Desjardins Group's treasury operations in particular and is its official representative to the Bank of Canada and Canadian banking system.

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, while serving as a financial agent in Canadian and international financial markets. It provides its member caisses with a variety of services, including certain technical, financial and administrative services. 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.

The Federation also acts as a control and supervisory body over the caisses. The AFSC confers broad normative powers upon the Federation, in particular with respect to caisse adequacy of capital base, reserves, liquid assets and credit and investment activities. The Federation is responsible for inspecting the caisses.

Furthermore, as of the effective date of the Amalgamation, 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 Desjardins network consists of the components of Desjardins Group and other related 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 compensation" and "Corporate governance disclosure".

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 and the caisse network in Quebec and Ontario can leverage three key business segments—Personal and Business and Institutional Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance—to give them the agility they need to develop their products and services.

For further details, see the "Business Structure" section of this Annual Information Form.

Personal and Business and Institutional Services

The Personal Services and Business and Institutional Services segment is key to 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 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, convenience and savings transactions, cards and electronic payment services, financing, specialty services, access to capital markets, development 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, continuous support throughout all stages of their lives or entrepreneurial life cycle.

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 shared services which the Federation provides to this segment, formerly presented in the Treasury and Other Support to Desjardins Group Entities category, have been recorded in this segment since the first quarter of 2017.

For more information about the Personal and Business and Institutional Services segment, see the "Personal and Business Services" section on pages 27–31 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 the assets of Desjardins Group members and clients and helping them protect their financial security. 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, as well as savings and investment products. In addition to its own products and services, it also distributes external savings and investment products, as well as securities and wealth management products. This segment also includes asset management for institutional clients.

The diversity and Canada-wide scope of its distribution networks is one of the main strengths of the Wealth Management and Life and Health Insurance segment. These networks mainly include:

- employees of the Desjardins caisse network and Desjardins Business Centres;
- financial security advisors for caisse members;
- investment advisors and private wealth managers;
- exclusive agents and independent partners;
- actuarial consulting firms and group plan representatives.

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.

On December 12, 2017, Desjardins Group and a partnership comprising Canada's five provincial credit union centrals (the Centrals) and The CUMIS Group announced that they had entered into an agreement to merge the businesses of their subsidiaries, Credential Financial Inc., Qtrade Canada Inc. and Northwest & Ethical Investments L.P. The transaction will create Aviso Wealth, a wealth management firm, which will be held in equal shares by Desjardins Group and by a partnership comprised of the Centrals and The CUMIS Group. The transaction is expected to close in the first quarter of 2018, subject to obtaining the required regulatory approvals and satisfying the customary closing conditions.

For more information about the Wealth Management and Life and Health Insurance segment, see the "Wealth Management and Life and Health Insurance" section 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 against the impacts of damage and loss. It includes the operations of Desjardins General Insurance Group Inc. and its subsidiaries.

Across Canada, Desjardins General Insurance Group Inc. (DGIG) provides 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 and in several client contact centres and Desjardins Business Centres, through an exclusive agents network, including nearly 500 agencies outside Quebec distributing property and casualty insurance and a host of other financial products online and via applications for mobile devices.

DGIG serves over 3 million clients, marketing its products to individual and business markets across Canada under the Desjardins Insurance and State Farm banners to the group insurance market, namely members of professional associations and unions and employers' staff under The Personal banner. As part of its plan to integrate State Farm's Canadian operations, Desjardins Group will transition from the State Farm banner to the Desjardins Insurance banner between May 1, 2018 and December 31, 2019. DGIG also operates in the white label market, serving well-established Canadian financial institutions, among others.

On July 1, 2017, Desjardins Group completed the sale of two of its subsidiaries, Western Financial Group Inc. and Western Life Assurance Company. It should also be noted that Western Financial Insurance Company was sold effective January 1, 2017. Additional information regarding these transactions is provided in the section "Impact of the sale of subsidiaries" on page 19 of the MD&A in the Annual Report, which is incorporated herein by reference.

For more information about the Property and Casualty Insurance segment, see the "Property and Casualty Insurance" section on pages 35-38 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 Federation's treasury activities and the financial intermediation between surplus and liquidity needs of the caisses and strategic direction and oversight activities of Desjardins Group.

As of the effective date of the Amalgamation, 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 principally from depositors from the short-, medium- and long-term 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 cash of Desjardins Group. 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. It further includes 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. The shared services which the Federation provides to this segment, formerly presented in the Treasury and Other Support to Desjardins Group Entities category, have been recorded in this segment since the first quarter of 2017.

For further details regarding the Treasury and Other Support to Desjardins Group Entities segment, see "Treasury and Other Support to Desjardins Group Entities category" section on page 39 of the MD&A in the Annual Report, which is incorporated herein by reference.

Total revenue from operating segments

	% of the Group's total revenue 2017	% of the Group's total revenue 2016[(1)]	% of the Group's total revenue 2015[(1)]
Personal and Business and Institutional Services	36.1	39.8	39.5
Wealth Management and Life and Health Insurance	42.8	42.0	41.1
Property and Casualty Insurance	24.5	22.1	22.6
Other	(3.4)	(3.9)	(3.2)

(1) Data for 2016 and 2015 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 27-39 of the MD&A in the Annual Report, which is incorporated herein by reference.

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 "Analysis of business segment results" section on pages 27-39 of the MD&A in the Annual Report incorporated herein by reference.

REGULATORY CAPITAL AND CAPITAL MANAGEMENT

Information on regulatory capital and capital management on pages 46-51 of the MD&A in the Annual Report is incorporated herein by reference.

Desjardins Group's Integrated Capital Management Framework

Broadly speaking, Desjardins Group's Integrated Capital Management Framework sets forth the policies and processes required to set the Desjardins Group's capital targets and establish strategies to ensure that targets are met, capital is raised quickly, component performance is adequately measured and internal capital flow and use mechanisms are optimized.

On one hand, the Internal Capital Adequacy Assessment Process (ICAAP) serves to ensure the adequacy of capital to address all material risks faced by Desjardins Group and the implementation of capital management strategies which take into account changes in its risk profile.

On the other hand, 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 allows for gauging the adequacy of the minimum target, set in accordance with the capitalization plan, in view of Desjardins Group's risk exposures.

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 Executive Vice-President, Finance, Treasury and Administration 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, in the aggregate, Desjardins Group maintains a solid capital base, allowing it to remain among the best capitalized financial institutions.

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.

The Basel III regulatory framework increases capital requirements. Even though the Basel III regulatory framework provides for a transitional period from 2013 to 2019 to mitigate the impact of the new rules on capitalization, the AMF has required Desjardins Group to meet the Tier 1A and Tier 1 capital ratio requirements and total capital ratios for 2019 as of the first quarter of 2013. The AMF may also, at its discretion, set higher target capital ratios where circumstances warrant.

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. These minimum capital requirements could limit Desjardins Group's capacity to allocate a portion of such capital or funds for other purposes. Desjardins Group monitors and manages those entities' capital requirements to ensure effective use of capital and ongoing compliance with applicable regulation.

For regulatory capital purposes, Desjardins Financial Corporation Inc., a holding company consisting mainly of insurance companies, is deconsolidated and reported as a deduction from capital under the significant participation rules set forth in the Guideline. In addition, Desjardins Financial Corporation Inc. is subject to the capital adequacy guideline for life and health insurance issued by the AMF.

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. Desjardins Group calculates the RWA for credit risk, market risk and operational risk. Since March 2009, Desjardins Group uses the Internal Ratings-Based Approach for credit risk related to retail loan portfolios (personal). Other credit and market risk exposures are measured using the Standardized Approach. The operational risk is also calculated using the Standardized Approach as of June 2017. In addition, Desjardins Group is subject to a threshold defined under Basel I. This threshold is determined by the difference between the minimum regulatory capital requirement in accordance with the rules of the latest version of the AMF Guideline based on Basel I multiplied by an adjustment factor established by the AMF and the minimum regulatory capital requirement calculated under Basel III.

The AMF further requires that Desjardins Group maintain a leverage ratio above 3%. This ratio is defined as an independent measure of risk taking into account the capital measure, i.e., Tier 1 capital, divided by the exposure measure. The exposure measure includes: (1) on-balance sheet exposures, (2) securities financing transaction exposures, (3) derivative exposures and (4) off-balance sheet items.

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, 2017.

It should be noted that under the *Regulation to facilitate the amalgamation of the Fédération des caisses Desjardins du Québec with the Caisse centrale Desjardins du Québec*, the Federation must maintain, for its operations, an adequate capital base consistent with sound and prudent management, in accordance with requirements prescribed by the AMF. The Federation currently meets these requirements as well as the internal targets set. The Federation may, upon a decision of its Board of Directors, issue a capital call to its member caisses to meet the requirements or requests of a regulator or rating agency regarding the capital adequacy of the Federation or of a legal person or company controlled by it, or to comply with a financial commitment made by the Federation to such a legal person or company.

REGULATION AND CONTROL

Information on the regulatory environment on pages 9-11 of the MD&A in the Annual Report is incorporated herein by reference.

Regulatory requirements

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 insurance companies and deposit-taking institutions (other than banks) operating in Quebec and governed by provincial law, including the caisses, the Federation and its insurance subsidiaries.

On October 5, 2017, the Quebec Minister of Finance tabled 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 Bill) in the National Assembly. The Bill will have significant impacts on all institutions and intermediaries operating in Quebec's financial sector. The Bill is intended to update and modernize the legislative framework for Quebec's financial sector so that the financial institutions it governs will have all the levers they need to operate in a very competitive environment and governance that is consistent with best practices. The Bill will have impacts on a series of laws, including the *Act respecting insurance*, the *Act respecting financial services cooperatives*, the *Act respecting the distribution of financial products and services* and the *Deposit Insurance Act*. The *Act respecting financial service cooperatives* will be amended to, among other things, 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. The amended act would have an additional chapter concerning the Desjardins cooperative group which would replace the *Act respecting the Mouvement Desjardins* in order, among other things, to strengthen the financial solidarity mechanisms within the cooperative group. The amendments to the act would thus confirm the Federation's mission to ensure risk management within Desjardins Group as well as ensure the Group's financial health and sustainability. To that end, the Federation and the *Fonds de sécurité Desjardins* would be granted additional special powers of supervision and intervention for ensuring the protection of creditors, including depositors, and the interests of the public.

The main amendments proposed to the *Act respecting financial services cooperatives* in respect of the Cooperative Group are essentially consistent with the principles set out in the current legislation, but reflect the legislator's stated intention to recognize Desjardins Group as an integrated financial group:

- The amendments clarify that the officers and managers of the Federation and those of a member caisse would be required to act with prudence and diligence, as well as with honesty and loyalty towards the entities that make up the Cooperative Group and in its interest. When the interests of the cooperative of which they are the officers or managers do not correspond to those of the Cooperative Group, they should favour the interests of the Cooperative Group;
- The Federation would have special powers with respect to caisses. In addition to its existing powers with respect to any given caisse, the Federation could, 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;
- The interest that may be paid on the capital shares issued by the Federation and those issued by a caisse would now be determined by the Federation's Board of Directors. This interest could be collected from the issuing entity's surplus earnings or stabilization reserve and, if insufficient, from its general reserve;
- In addition to the power of the Federation to determine, by by-law, contributions regarding the caisses, the Board of Directors of the Federation could also determine, by resolution, the assessments it considers necessary for the pursuit of its missions;
- The mission and powers of the *Fonds de sécurité Desjardins* would be confirmed and strengthened. For example, the *Fonds de sécurité Desjardins* would be required to 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 its depositors and other creditors in full, correctly and without delay. It would be 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. The *Fonds de sécurité Desjardins* could, in such circumstances, order the transfer of any part of a caisse's business, order the amalgamation or dissolution of caisses or set up a legal entity to facilitate the liquidation of bad caisse assets. In addition, if it considers that its financial resources are insufficient for the accomplishment of its mission, it may determine and require any component of the Cooperative Group to pay a special contribution for each of the specified financial years;
- The Federation and the Quebec caisses may leave the Cooperative Group only in the event of their dissolution. Consequently, no Quebec caisse can be excluded or request its withdrawal from the Federation. In addition, the Federation, Quebec caisses and the *Fonds de sécurité* may be wound up only in the event of the winding up of the Cooperative Group.

The proposed amendments to the *Deposit Insurance Act* include a proposal to have the Act govern the supervision and control of deposit taking and the activities of authorized deposit institutions, as well as settlement and resolution mechanisms in the event of default by deposit institutions. Furthermore, the Bill will provide for revised supervision for Quebec insurers, including the introduction of a modern regime for selling insurance over the Internet. The government’s parliamentary leader has not provided a specific timeline for adoption of the Bill in its definitive version. Desjardins Group continues to closely monitor the legislative process and analyze the impacts of this Bill.

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, trust services and the banking services offered by Zag Bank.

Desjardins Bank, National Association is licensed with and supervised by the Office of the Comptroller of the Currency (OCC) of the United States, an independent branch of the U.S. Department of the Treasury. The Federation's U.S. operations are subject to the supervisory and regulatory authority of the Board of the Governors of the Federal Reserve System under the *International Banking Act* of 1978 due to the fact that its wholly owned subsidiary, Desjardins FSB Holdings Inc., is a bank holding company. U.S. Federal Reserve policies require the Federation to be a source of financial strength for Desjardins Bank, National Association. U.S. federal legislation limits the ability of Desjardins Bank, National Association to engage in certain transactions with the affiliated entities of Desjardins Group.

Any such transaction is limited to 10% of Desjardins Bank, National Association's capital and the aggregate of these transactions may not exceed 20% of its capital. These transactions must also be on terms as favourable to Desjardins Bank, National Association as those entered into with unrelated third parties. The Desjardins Florida Branch is also licensed with and supervised by the OCC under the provisions of the *International Banking Act* of 1978. Desjardins Group is also subject to the U.S. *Bank Holding Company Act* and has been designated a Financial Holding Company (FHC) in the U.S. To maintain this status, Desjardins Group must continue to comply with regulatory capital requirements and certain other requirements in order to be considered as "well-capitalized" and "well-managed" under U.S. Federal Reserve regulations.

Government regulations

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

- the standards respecting the adequacy of the capital base of the Federation and the caisses, the elements which compose the capital base and proportion represented by each element;
- the standards respecting the 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 Annual Report and in the auditor's report; and
- the trust company activities which may be exercised by the Federation or the caisses, the cases when such activities can be carried on and the conditions under which they may be exercised.

In addition, the government may authorize a caisse to carry on any activity that is not related to the pursuit of the caisse's mission where the government considers that such activity is in the interest of the public and the members and where such activity is not prohibited by law. The government may also adopt regulations applicable to the caisses regarding, among other things, their accounting operations, reserves for doubtful debts and contingent losses, allocation of surplus earnings and voluntary purchase, as well as the repurchase or redemption of shares should the Federation fail to adopt standards in that regard.

The Federation's participating auxiliary members, consisting of the *Fédération des caisses populaires de l'Ontario Inc.* and its member caisses, are 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, in particular with respect to adequacy of the capital base. The AFSC also empowers the AMF to impose a recovery program on the Federation and the caisses when it is of the opinion that their network's capital base is inadequate. The AMF may give the Federation or a caisse any written instructions it deems appropriate while such a recovery program is in effect. It may also itself implement such a recovery program should the Federation fail to do so.

The AFSC also empowers the AMF to issue orders 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 recovery 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.

If, in the opinion of the AMF, the Federation fails to exercise the protective powers conferred on it by the AFSC, it may exercise them instead. The AMF may give written instructions to the Federation concerning the adequacy of its network capital base and of its liquidity or to the Federation or the caisses concerning the investments they may make. It may also issue to the Federation or the caisses guidelines concerning any sound and prudent management practice.

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

With the authorization of the AMF, the Federation may immediately suspend the powers of the board of directors or the board of supervision of a caisse for a maximum period of 30 days and appoint a provisional administrator to exercise the responsibilities of the board temporarily if it has reasons to believe that there has been embezzlement or misappropriation or unexplained absence of assets, that there has been gross misconduct or material default in the performance of obligations by an officer of the caisse or its board of directors, or that control over the caisse assets is insufficient to adequately protect the rights of its members.

POWERS OF THE FEDERATION

The AFSC provides for the creation of a self-regulated network of financial services cooperatives formed by the Federation and the caisses. Under the AFSC, the Federation is the primary organization for supervision and control over the caisses. The AFSC confers powers of intervention upon the Federation to ensure the caisses comply with the standards governing their operations. Such standards are adopted by the Federation and they relate to, among other things, reserves for doubtful debts and contingent losses, adequacy of the capital base, its components and their proportion to each other, liquidity and credit and investment activities of the caisses. The Federation may also adopt standards pertaining to any financial or administrative practices of the caisses.

The Federation is also empowered to conduct examinations and investigations into the internal affairs and business of the caisses to assess the quality of their management and to ensure that its standards are observed.

To that end, the AFSC contains various measures to enable the Federation to intervene into the affairs of the caisses and enforce compliance with the provisions of the AFSC or a normative instrument adopted thereunder. In that respect, the Federation has extensive powers that enable it, in particular circumstances, to give the caisses binding written instructions, to order the caisses to adopt recovery programs, to suspend officers or directors and to appoint a provisional administrator. These powers must be exercised under the supervision of the AMF.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

The Federation and Desjardins Group components rely on applicable intellectual property legislation to protect the many marks and trademarks they own for the various financial products and services offered to their members and their clients. In addition to the rights resulting from the use of the marks they own, Group components register trademarks when possible and take 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 the Federation and components of Desjardins Group may be used herein without the ™ symbol but that does not mean that they will not enforce their rights or the rights of the licence holders of such trademarks and trade names to the extent permitted by applicable law.

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 policy of commitment to sustainability since 2005. Year after year, Desjardins Group has been improving its business and management practices with the aim of measuring its progress. For example, in 2016, it set itself the target of reducing greenhouse gas emissions generated by its day-to-day activities by 20% below the 2008 level by 2020. This target was achieved in 2017. Year 2017 saw the adoption of the Group's position on Desjardins' contribution to achieving the Paris Agreement's targets. This position provides for the gradual implementation of environmental, social and corporate governance (ESG) criteria across its financing, investment and insurance operations.

Following the adoption of the 2020 Strategic Plan, Desjardins Group has established new 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 will 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 capital.

By expanding the projects eligible for the caisse Community Development Funds and by setting up a $100 million Development Fund over three years, Desjardins Group has demonstrated the extent of its commitment to the development of communities where it was formed and developed while increasing the participation of its members in the decision-making process.

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 non-financial recognition for its performance. With this goal in mind, Desjardins Group has enhanced its disclosures of its top-priority social responsibility issues based on the GRI Guidelines of the Global Reporting Initiative. To that end, in 2017, Desjardins Group carried out an extensive consultation of its internal and external stakeholders to validate and confirm that its priorities matched their expectations.

CAISSE NETWORK

The Federation acts as the coordinating organization of the caisses and the affiliated institutions and entities of Desjardins Group. The Federation promotes the development and effectiveness of the caisses by providing them with various technical, administrative and financial services.

The Federation also acts as a control and supervisory body over the caisses. The AFSC confers broad normative powers upon the Federation, in particular with respect to the adequacy of the capital base of the caisses, their reserves, liquid assets and credit and investment activities. Through the Desjardins Group Monitoring Office, the Federation is responsible for inspecting the caisses and auditing the combined financial statements which present, on a combined basis, the financial position of the Federation's member caisses. The Federation is also in charge of other activities structured as business units of the Federation.

The caisses are required to help fund the Federation's development and operating expenses, mostly through basic annual assessments determined by the Federation 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 financial by-laws of the Federation contain the terms and conditions for the establishment and payment of basic 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.

Further, the Federation may determine, by resolution of its Board of Directors, an assessment with respect to a caisse that uses a particular service. The AFSC also empowers the Federation to determine a special assessment payable by all caisses to make up for the operating deficits of a caisse whose general reserve is inadequate, if the *Fonds de sécurité Desjardins* does not provide therefor. However, such assessments have never been imposed. The caisses are bound by legislation to pay the contributions under these assessments to the Federation. See "Financial intervention mechanisms" section of this Annual Information Form.

Principal cooperative rules

The caisses are autonomous 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 constituted initially 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, as owners and users, share in its development by observing a range of cooperative action rules consisting primarily of the following:

- There is no restriction on the number of members of each caisse. To become a member, a person must subscribe and pay for the number of qualifying shares determined by the caisse's by-law. 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 proxy may represent and vote on behalf of a single member that is a corporation or partnership or group of persons;
- 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 overpayments). 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: after transferring to the added-value reserve the portion of the surpluses representing the annual increase in value of the eligible investments and the impact of derivatives appreciation or depreciation on added-value reserve derivative instruments, (1) interest is paid on the Capital Shares; (2) interest is paid on the remaining outstanding share capital; (3) an allocation is made to the stabilization reserve (created to ensure payment of interest on the Capital Shares in the event of inadequate surplus earnings); (4) an allocation is made to the general reserve; (5) dividends are paid to members and an allocation is made to a community development assistance fund; and (6) an allocation is made to the reserve for potential member dividends.

Share capital

The share capital of a caisse consists of non-interest bearing qualifying shares. 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 Class F Capital Shares or investment shares are determined by resolution of the board of directors of the caisse and approved by the Federation.

Permanent shares may usually be redeemed only in the event of the holder's death or with the AMF's authorization, except where the caisse is wound up or dissolved or becomes insolvent. Moreover, the caisse may, under certain conditions, redeem permanent shares when they have been held for at least five (5) years if: (i) the holders have reached 60 years old and have availed themselves of a retirement or early retirement right; or (ii) the holders have reached 65 years old. Such redemption may only take place if the capitalization of the cooperative network and the capital of the caisses are adequate to meet the levels prescribed in the standard after the redemption takes place. Permanent shares rank junior to deposit liabilities and other caisse indebtedness, including the subordinated notes issued to Desjardins Capital Inc., but rank senior to the qualifying shares.

Interest payable on permanent shares is determined by the annual general meeting of each caisse based on its surplus earnings or stabilization reserve. The board of directors may also, during the fiscal year, determine the interest payable based on the stabilization reserve. However, interest payable annually may not exceed the maximum rate set by the by-laws of the Federation.

The Federation has established a trust fund intended for the purchase, under specific circumstances, of permanent shares issued by the caisses. Even though the Federation intends to purchase all the shares offered by holders, it is not bound to acquire any permanent share at any given time. When purchasing such shares, the financial situation of the caisse or of the Federation and caisse network is taken into account.

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 and oversight board, who are officers of the caisse. 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 of 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 a board of a caisse that is part of Desjardins Group. Effective December 10, 2010, the general manager of a caisse may not serve on its board of directors. Each member of the board of directors and oversight board of a caisse is elected for a term of three years. The AFSC stipulates that the caisses must provide for a rotation in their by-laws to ensure that one third, except one, of the members of their boards of directors and their oversight boards be elected annually.

The board of directors is composed of at least five and no more than fifteen members and is responsible for managing the affairs of the caisse. Pursuant to the AFSC, the board of directors must appoint an audit committee comprising at least three of its members. The Chair of the Board is an ex-officio member of the audit committee, unless otherwise decided by the board. The audit committee has the following responsibilities: (1) it reviews the reports prepared by the Inspection Department and Desjardins Group Monitoring Office (DGMO) and reports to the Board of Directors; (2) it follows up on its recommendations and the implementation of the measures adopted to enforce point (1); (3) it reviews the financial report necessary to prepare the combined annual financial statements and recommends their adoption by the Board of Directors. The audit committee may also fulfil any other function that the board of directors may determine.

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 committee: (a) review the caisse's financial performance; (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 oversight board, which comprises three or five members, is mainly responsible for monitoring the ethical, professional conduct and cooperative aspects of the caisse's activities.

The AFSC also imposes various duties and specific obligations upon caisse officers and an infringement thereof may result in the personal liability of the non-complying officer. In addition to their duty to act with prudence, diligence, honesty and loyalty in the best interests of the caisse, officers must, in fulfiling their duties, take into account the interests of the members of the caisse and avoid conflicts of interest situations. 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.

As part of the Federation's regional general meetings and group caisse meetings, the caisses of a given region and group caisses elect, among others, the officers who will sit on the regional council for their region or on the group caisses council. The regional councils and the group caisses council represent the caisses of their regions in the Federation and in their communities. Their role consists in keeping the caisses active in their community, identifying business development opportunities, updating the distribution network, and overseeing the relationships between the caisses, management and other Federation decision-making bodies.

Investment business structure

The AFSC requires the Federation to adopt standards concerning the investments that may be made by the caisses. Pursuant to these standards, the caisses may invest in shares or unsecured debt securities of companies located in their territory, subject to certain limits. The caisses may also invest, in a limited fashion, in stock or shares or any debt securities issued by a cooperative governed by the *Cooperatives Act* (Quebec), a federation of such cooperatives or a legal person controlled by any of them. Together, these investments, where permitted, may not exceed, on the date of any investment, 2% of the assets of a caisse, and none of them may entitle a caisse to acquire, alone or jointly with another caisse, directly or through a holding company, more than 30% of the assets or more than 30% of the voting rights attached to the shares of a legal person. The voting rights may not enable a caisse to elect more than one third of the directors of a legal person.

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 by-laws 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, 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, 2017, such surpluses totalled $4.9 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 $7.1 billion as at December 31, 2017.

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, 2017. The Federation issues to the caisses Capital Shares in respect of each investment fund. Such shares bear no interest and entitle their holders to a share of the net assets and net revenue of their respective funds in accordance with the Federation's by-laws.

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 SMEs.

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 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 and becomes due only in the event of the liquidation or winding-up of the Federation or the caisse or in the event that the caisse ceases to be a member of the Federation.

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

Business of the caisses

The main business activities of a caisse are to receive deposits from its members and invest them for profit, to extend credit, primarily in the form of mortgage loans, and to supply various other financial products and services such as general insurance and life insurance products and brokerage services to its members through other Desjardins Group entities.

However, the line of insurance products offered at caisses in Ontario is limited to certain insurance products authorized under provincial legislation.

Credit activities

A caisse 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 credit standards of the Federation.

A caisse's general manager or the director 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 common risk group of entities up to its authorization limits, above which prior approval from the Federation is required.

A loan is in default when one of the following criteria is met:

- Quantitative criteria: The borrower's arrears exceed 90 days.
  The following are considered to be default situations: Any late payment of more than 90 days from the first dollar, any unauthorized shortfall of coverage of more than 90 days or any unauthorized excess of the limit for more than 90 days.
- Qualitative criteria: It is unlikely that the borrower will repay its debt in full without appropriate measures such as the enforcement of a security or guarantee. The following are considered to be default situations: a forced restructuring of the debt, a bankruptcy or insolvency situation following procedures initiated by a creditor or the borrower, a loss on transfer of receivables, a default on a market product, or any other reason indicating that a borrower will not be able to repay the debt in full without the use of appropriate measures such as the realization of guarantees or securities.

For default loans of non-retail clients, excluding loans guaranteed in full by the government, the loan manager determines the amount of the individual allowance, which must be approved by the general manager of the caisse or director of the Desjardins Business Centre, or by a person to whom he has delegated such power.

Loans for which an individual allowance has not been established are included in groups of assets with similar credit risk characteristics and are subject to a collective allowance. The Federation is responsible for determining the collective allowance.

A loan is written off after all attempts at restructuring or collection have been made and the likelihood of future recovery becomes remote.

Deposit activities

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

- Each caisse must at all times maintain adequate liquidity in the liquidity fund established and managed by the Federation;
- Each caisse must create and maintain a general reserve which, together with its share capital, is part of its members' equity;
- The caisses benefit from a security fund governed by the AFSC; and
- Since the caisses are registered with the AMF under the *Deposit Insurance Act* (Quebec), depositors are guaranteed repayment of their deposits up to $100,000 per caisse and per depositor. Certain types of deposits may be separately guaranteed up to the same amount.

In addition to the liquidity and reserves requirements set forth in their incorporating acts, caisses in Ontario are members of the Deposit Insurance Corporation of Ontario.

Financial disclosure

Each caisse must prepare an annual report containing its financial report produced by the Finance Executive Division, as well as certain information regarding loans, deposits, capital ratios and its officers and members. The annual report of each caisse must also include the total amount of loans extended to restricted parties. Furthermore, in connection with the AMF's due diligence, the caisses must incorporate the report of their oversight board's activities into their annual report.

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 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.

Desjardins Group Monitoring Office (DGMO)

The DGMO is responsible for oversight across Desjardins Group, i.e. internal audit (including the caisse networks in Quebec and Ontario) and management of investigations into internal fraud and other wrongdoing. Internal audits of the caisses and Desjardins Group entities are performed by its Oversight Department.

The Chief Monitoring Officer (CMO) of Desjardins Group is appointed by the President and Chief Executive Officer of Desjardins Group upon the recommendation of the Board of Ethics and Professional Conduct of the Federation for a renewable five-year term. The CMO may be dismissed only by the President and Chief Executive Officer of Desjardins Group, with the approval of the AMF.

The DGMO's mandate is determined mainly by Desjardins Group's Audit and Inspection Commission (AIC) and Desjardins Group components' audit committees. The DGMO's responsibilities are defined by the AIC and Desjardins Group components' audit committees in connection with their oversight role.

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 oversight of Desjardins caisses of Quebec and Ontario, the Federation, *Fonds de sécurité Desjardins*, as well as all Desjardins Group components under the direct or indirect control of the Federation.

The head of the DGMO reports functionally to the AIC and administratively to the President and Chief Executive Officer of Desjardins Group.

Oversight across Desjardins Group

The DGMO oversees all Desjardins Group components, including those whose operations have been outsourced to a third party. The annual oversight plan is determined using a risk-based approach and also taking into consideration the statutory requirements to which Desjardins Group is subject. The annual plan is validated by Desjardins Group executive officers and is approved by the audit committees of Desjardins Group components.

The AFSC requires the DGMO's Oversight Department to inspect each caisse at least every 18 months. One of the main purposes of these inspections is to assess the policies and practices of the caisses as well as their internal control systems, and to ensure they comply with the applicable laws, regulations and standards.

The DGMO is accountable to the AIC and the audit committees of Desjardins Group components which have independent directors who serve on the Board and it submits adequate reports to them in accordance with their mandate.

The DGMO must also report the results of its inspection of caisses to the AMF and the board of directors and the oversight board of each caisse with respect to what falls within its jurisdiction, as well as to the *Fonds de sécurité Desjardins*.

Financial intervention mechanisms

Certain financial intervention mechanisms have been established by the Federation and the *Fonds de sécurité Desjardins* to provide support to the caisses in events of operating deficits or other situations that could lead to insolvency.

Fonds de sécurité Desjardins

In 1980, Desjardins Group created the *Fonds de sécurité Desjardins* to reinforce the financial security of the caisses. The *Fonds de sécurité Desjardins* is an independent entity whose reserves are collectively owned by all the Quebec caisses. The *Fonds de sécurité Desjardins* was created (1) to promote financial stabilization that ensures the solvency of each caisse, (2) to assist in the payment of any losses sustained by the members of a 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 Insurance Act*. It also ensures that appropriate capital strengthening plans are adopted and implemented at the caisses benefitting from its financial support.

The *Fonds de sécurité Desjardins* intervenes in caisses only as a last resort, that is, when the caisse has already availed itself of other Federation programs, including, the permanent and surplus share management program, the offsetting programs, the *Fonds hypothécaire* and the *Fonds de développement Mouvement*.

Powers and assessments

The AFSC defines the powers that the *Fonds de sécurité Desjardins* may exercise in the pursuit of its mission. It confers upon the *Fonds de sécurité Desjardins* the right to determine and collect assessments from its member caisses, regulates its investments and contains provisions relating to the independent audit and inspection of the *Fonds de sécurité Desjardins*. The *Fonds de sécurité Desjardins* levies and collects assessments from the caisses annually. For fiscal 2017, the assessment for each caisse is determined as follows: 50% according to risk-weighted assets and 50% according to total member deposits. In addition, the *Fonds de sécurité Desjardins* maintains an incentive for increasing caisse capitalization by discounting assessments based on the ratio of Tier 1A capital to risk-weighted assets. The caisses are bound by the AFSC to pay this assessment, which serves to cover the operating expenses of the *Fonds de sécurité Desjardins*, settle the deposit insurance premium payable and fund the reserve established for the exclusive benefit of all the Quebec caisses.

The *Fonds de sécurité Desjardins* may extend grants and loans to the caisses, guarantee the repayment of loans and reach agreements for the purposes of managing the affairs of the caisses and purchasing their assets, in whole or in part. It has the power to act as liquidator or provisional administrator of a caisse. It may also, in the case of a loan or a grant, determine the measures to be taken by the caisse in order to correct certain financial and administrative practices.

Intervention policies

The *Fonds de sécurité Desjardins* has adopted an intervention policy designed to ensure that no caisse is in a precarious situation related to capital adequacy or becomes insolvent. Since its creation, it has always taken measures to this end, particularly by extending grants to caisses in financial difficulties. However, the *Fonds de sécurité Desjardins* does not intervene to deal with liquidity matters.

Its policy is to extend loans and grants to caisses undergoing difficulties in order to remedy their financial situation. Where circumstances warrant, the *Fonds de sécurité Desjardins* may recommend the amalgamation or liquidation of a given caisse. Pursuant to the administrative policies of the *Fonds de sécurité Desjardins*, the board of directors of a caisse must file a loan or grant application duly ratified by the Federation. The loan or grant extended to a caisse must enable it to maintain its Tier 1A capital ratio at a level of 7% above its assets at risk.

A grant is contingent, however, upon the implementation of a capital strengthening program and the signing of a management agreement with the Federation for the purpose of ensuring that the affairs of the caisse will be managed and administered both by the Federation and the caisse, and that the caisse will comply with all the corrective measures set forth in the capital strengthening program. In addition, such an agreement may not be terminated without the prior consent of the *Fonds de sécurité Desjardins*. Furthermore, the caisse's board of directors must undertake to fulfil all the conditions imposed at the time the grant is paid and to provide all reports and information then prescribed.

Loan or grant requests must be approved by the Federation before submission to the *Fonds de sécurité Desjardins*. The Federation may, if necessary, provide any additional information required by the *Fonds de sécurité Desjardins* and suggest that the loan or grant be subject to certain conditions.

The financial structure of the *Fonds de sécurité Desjardins* is based on net equity that has grown steadily from $523 million as at December 31, 2004 to $1,131,734 as at December 31, 2017. No grants have been made since 2007. Moreover, as at December 31, 2017, the *Fonds de sécurité Desjardins* reached its capitalization objective of 0.60%, as its net value (excluding the total value of the *Fonds de sécurité Desjardins* investments in the caisses – $1,129 million) divided by the total assets of the Quebec caisses ($166,547 million) amounted to 0.68%.

Investment

The *Regulation respecting investments of a security fund* adopted under the AFSC regulates the investment activities of the *Fonds de sécurité Desjardins*. Under this Regulation, the *Fonds de sécurité Desjardins* may invest only in investment grade securities. The *Fonds de sécurité Desjardins* is also allowed to purchase subordinated debt securities issued by the caisses as long as such securities do not represent more than 30% of its assets according to its most recent audit.

Pursuant to this Regulation and its investment policy, the *Fonds de sécurité Desjardins* must maintain the liquidity required to meet its operating needs.

Inspections and audits

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

Federation

In addition to its power to determine base assessments for the caisses, the Federation is expressly empowered under the AFSC to make up for any operating deficit of one of its caisses in the event its general reserve is inadequate, by levying special assessments on all the other caisses or by using its own funds in the event the *Fonds de sécurité Desjardins* does not do so. The Federation may also levy any other assessment it deems necessary. The caisses are bound by legislation to pay such assessments. Such assessments have never been imposed by the Federation.

RISK FACTORS

Information on risk factors on pages 53-85 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-law.

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 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 Caisses, including their auxiliary members. The Federation may, by resolution of the Board of Directors and with the AMF's authorization, repurchase all or part of the Class A and G Capital Shares and Class F Capital Shares 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 and G Capital Shares and Class F Capital Shares by mutual agreement. Furthermore, all or part of the Class A and 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 and G Capital Shares and Class F Capital Shares is determined by the Board of Directors. The repayment of the principal amount and the payment of interest on Class F Capital Shares are subject to compliance with certain conditions.

The Federation may, upon a decision of the Board of Directors, make a call for capital to its members through the issuance of Class G Capital Shares. The Board of Directors determines the number of Class G Capital Shares to be acquired by each of the members while striving to maintain balanced share holdings. Where the Board of Directors has authorized the issuance of new Class G Capital Shares of a new series of Class G Capital Shares, particularly for the purposes of meeting a regulator's or credit rating agency's requirements or requests, with regard to the capital adequacy of the Federation or of a legal person or entity controlled by the Federation, or to discharge a commitment of a financial nature made by the Federation in favour of one such legal person or entity, any member subject to the capital call is required to acquire and pay for the Class G Capital Shares allocated to it.

An unlimited number of FIN-5A, INV, SER and FED-7 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-law on investment funds, 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.

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, the stability of its 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 issuer, are backed by the financial strength of Desjardins Group.

During 2017, the credit ratings and outlooks assigned to Desjardins Group's securities remained unchanged and were confirmed by credit rating agencies Moody's, Standard & Poor's (S&P), DBRS and Fitch.

Furthermore, on May 10, 2017, the credit rating agency Moody's downgraded the long-term debt rating by a notch for the six large Canadian banks, noting in particular that an increase in debt in the private sector could affect the quality of assets and the profitability of Canadian banks. In its press release, however, Moody's confirmed its credit rating for Desjardins Group, considering that its operations are less exposed to these risks.

S&P's and Fitch's ratings outlooks for Desjardins Group are also stable, while DBRS and Moody's continue to maintain negative outlooks for Desjardins Group and several large Canadian banks, as of May 20, 2015 for DBRS and June 11, 2014 for Moody's. Moody's ratings outlook for Desjardins Capital Inc., however, remains stable. DBRS and Moody's justified their decision to assign negative ratings outlooks for Desjardins Group and several large Canadian banks due to uncertainty about continued government support to systemically important financial institutions on account of the "bail-in" regime proposed by the Canadian government.

Furthermore, Moody's and Fitch confirmed the ratings of their structured and legislative covered bond programs. Moody's confirmed the Aaa rating on December 15, 2016, and Fitch confirmed its AAA rating with a "stable" outlook on February 13, 2018.

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

Credit ratings of issued securities

	DBRS	STANDARD & POOR'S	MOODY'S	FITCH
Fédération des caisses Desjardins du Québec				
Short term	R-1 (high)	A-1	P-1	F1+
Medium and long term, senior	AA	A+	Aa2	AA-
Desjardins Capital Inc.				
Medium and long term, senior	AA (low)	A	A2	A+

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 provisional 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 74–76 of the MD&A in the Annual Report and on page 165 of the notes to the consolidated financial statements in the Annual Report is incorporated herein by reference.

MARKET FOR SECURITIES

Before the effective date of the Amalgamation, no securities of the Federation were registered or listed on a stock exchange or a market. Except for possible purchases and sales by the Federation's trust fund, there was no market for trading the securities of the Federation.

See the "General Development of the Business" section of this Annual Information Form for a description of the securities issued by the Federation in 2017.

The Federation became the issuer under Caisse centrale's securities issuance programs as a consequence of the Amalgamation, as such it must honour all securities issued by Caisse centrale, including those listed on the Irish Stock Exchange.

On January 17, 2017, the Federation issued fixed-rate medium-term notes in the Canadian market under its Canadian medium-term note program for a total value of C$1 billion. These notes will mature on January 17, 2022. On August 25, 2017, the Federation also issued fixed-rate medium-term notes in the Canadian market for a total value of C$850 million. These notes will mature on August 25, 2022. 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.

On April 7, 2017, the Federation issued variable-rate medium-term notes in the U.S. market under its global multi-currency medium-note program for a total value of US$300 million. These notes will mature on April 7, 2020. They were issued under a private placement and are not listed on any stock exchange or similar market for securities.

On October 31, 2017, the Federation issued fixed-rate medium-term notes in the U.S. market totalling US$1,150,000,000 under its global multi-currency medium-note program, as well as variable-rate medium-term notes totalling US$350,000,000, for a total value of US$1,500,000,000. These notes will mature on October 30, 2020. They were issued under a private placement and are not listed on any stock exchange or similar market for securities.

On December 21, 2017, 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.

On December 21, 2017, the Federation also 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.

Additional information on the Federation's financing programs on pages 74-75 of the MD&A of the Annual Report is incorporated herein by reference.

The following table shows, for the indicated periods of the fiscal year ended December 31, 2017, the range of market prices traded on the Irish Stock Exchange's Main Securities Market for corporate debt for the covered bonds issued by Caisse centrale on March 11, 2014, October 22, 2014 and November 25, 2015, and for the medium-term notes issued by Caisse centrale on January 20, 2015, September 15, 2015, and January 19, 2016.

	Variable rate note maturing 2017-09-15 EUR	Variable rate note maturing 2018-01-19 EUR	1.125% Note maturing 2019-03-11 EUR	0.375% Note maturing 2019-10-22 EUR	Variable rate note maturing 2020-01-20 EUR	0.375% Note maturing 2020-11-25 EUR
Month 2017						
January						
High	100.185	100.250	102.838	101.495	100.611	101.545
Low	100.161	100.187	102.775	101.396	100.518	101.286
Closing	100.179	100.244	102.792	101.434	100.611	101.349
February						
High	100.199	100.277	102.807	101.580	100.652	101.742
Low	100.174	100.234	102.739	101.413	100.617	101.307
Closing	100.177	100.274	102.807	101.580	100.647	101.742
March						
High	100.175	100.275	102.795	101.560	100.662	101.680
Low	100.149	100.250	102.617	101.286	100.632	101.094
Closing	100.149	100.255	102.692	101.490	100.636	101.530
April						
High	100.151	100.254	102.713	101.579	100.660	101.766
Low	100.125	100.230	102.608	101.434	100.635	101.444
Closing	100.125	100.230	102.631	101.494	100.641	101.558
May						
High	100.128	100.230	102.651	101.519	100.650	101.590
Low	100.099	100.207	102.523	101.400	100.631	101.434
Closing	100.099	100.207	102.528	101.447	100.633	101.564
June						
High	100.096	100.209	102.517	101.474	100.661	101.665
Low	100.077	100.191	102.315	101.218	100.631	101.217
Closing	100.077	100.191	102.315	101.218	100.649	101.217
July						
High	100.076	100.190	102.318	101.252	100.712	101.342
Low	100.050	100.166	102.248	101.159	100.643	101.113
Closing	100.050	100.166	102.248	101.231	100.712	101.290
August						
High	100.049	100.165	102.256	101.295	100.732	101.550
Low	100.014	100.141	102.179	101.239	100.690	101.364
Closing	100.014	100.142	102.179	101.293	100.709	101.545
September						
High	100.012	100.140	102.185	101.327	100.737	101.630
Low	100.001	100.110	102.071	101.239	100.697	101.411
Closing	100.000	100.113	102.071	101.240	100.702	101.417
October						
High	(1)	100.111	102.071	101.321	100.709	101.605
Low	(1)	100.080	102.017	101.242	100.694	101.417
Closing	(1)	100.080	102.017	101.315	100.694	101.605
November						
High	(1)	100.080	102.014	101.342	100.702	101.672
Low	(1)	100.049	101.890	101.272	100.677	101.543
Closing	(1)	100.049	101.890	101.272	100.700	101.543
December						
High	(1)	100.050	101.893	101.295	100.697	101.614
Low	(1)	100.019	101.752	101.200	100.642	101.362
Closing	(1)	100.019	101.768	101.208	100.671	101.365

(1) Issue completed on September 15, 2017.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The following table shows, as at the date of this Annual Information Form, the name, province and country of residence, and position held with Desjardins Group, and the principal positions of 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 has served. 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 are officers of their caisses. The Board of Directors has however adopted a voluntary limitation of four combined terms. This limit was added to the Federation's by-laws and should become effective when the *Act respecting financial services cooperatives* is amended. Transitional measures were implemented to ensure continuing governance of the Federation. Their term expires at the end of the annual general meeting of members. The President and Chief Executive Officer of Desjardins Group is elected for a four-year term and may be re-elected for an additional four-year term only. The members of the Board of Directors of the Federation are the same as those of Desjardins Capital Inc. and Desjardins Trust Inc., with the addition of Nathalie Soucy, who is a director of Desjardins Trust Inc. Michel Allard and Pierre Perras are managing directors of the Board of Directors of the Federation and as such, cannot vote at meetings.

Name, province and country of residence	Position held within Desjardins Group	Principal positions	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
BABINEAU, Louis[2] Quebec, Canada	President, Regional Council – Québec-Ouest and Rive-Sud Chair of the Audit and Inspection Commission of the Federation	Tenured professor, UQAR, Lévis campus	2016-04-09	2019
BÉLANGER, Annie P.[1][3][8] Quebec, Canada	President, Regional Council – Bas-Saint-Laurent and Gaspésie – Îles-de-la-Madeleine Chair of the Board of Directors of Développement international Desjardins Inc.	Retired from the education sector since 2003	2013-04-06 2016-04-09	2016-04-08 2019
BÉLANGER, Benoît[5] Quebec, Canada	General Manager, *Caisse Desjardins des Bois-Francs*	General Manager, *Caisse Desjardins des Bois-Francs*	2017-03-25	2020
CHAPDELAINE, Claude[5] Quebec, Canada	President, Regional Council – Ouest de Montréal	Business consultant Chapdelaine consultants Lecturer, HEC Montréal	2016-04-09	2019
CHEVALIER, Carole[1][4][7] Quebec, Canada	President, Regional Council – Mauricie Chair, Investment Commission of the Federation	Retired from the community sector since 2017 Formerly: General Manager, Centre d'action bénévole du Rivage	2011-03-26 2014-03-28 2017-03-25	2014-03-28 2017-03-25 2020
CORBEIL, Stéphane[2][6] Quebec, Canada	President, Regional Council – Laval-Laurentides	President, TERIS Supply Services Inc.	2016-04-09 2018-03-24	2018-03-24 2021

Name, province and country of residence	Position held within Desjardins Group	Principal positions	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
CORMIER, Guy[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, Desjardins General Insurance Group Inc.	President and Chief Executive Officer, Desjardins Group Formerly: Senior Vice-President, Cooperative Network and Personal Services and Senior Vice-President Finance, Caisse network	2016-04-09	2020
DESSUREAULT, Sylvain[5][7] Quebec, Canada	General Manager, *Caisse Desjardins du Mont-Saint-Bruno*	General Manager, *Caisse Desjardins du Mont-Saint-Bruno*	2013-04-06 2016-04-09	2016-04-09 2019
GENEST, Yves[1][7] Quebec, Canada	General Manager, *Caisse populaire Desjardins de Montmagny*	General Manager, *Caisse populaire Desjardins de Montmagny*	2013-04-05 2016-04-09	2016-04-09 2019
GROULX, Nadine[4][5] Quebec, Canada	President, Regional Council – Cantons-de-l'Est	Agricultural entrepreneur, Ferme Miroc Inc.	2017-02-23 2018-03-24	2018-03-24 2021
HAWTHORN, Neil[7] Quebec, Canada	General Manager, *Caisse Desjardins Saint-Eustache–Deux Montagnes*	General Manager, *Caisse Desjardins Saint-Eustache–Deux Montagnes*	2015-03-28 2018-03-24	2018-03-24 2021
LAPORTE, Jean-François[2] Quebec, Canada	President, Regional Council – Richelieu-Yamaska	Retired from the industrial and manufacturing sector since 2016 Previously: Finance and Administration Director, Harbour Industries (Canada) Ltd.	2017-03-25	2020
LAPORTE, Jean-Robert[1][3][8] Quebec, Canada	President, Regional Council – Lanaudière Secretary of the Board of Directors of the Federation Chair of the Board of Directors of Desjardins Financial Security Life Assurance Company	Lawyer Roy, Laporte inc.	2013-04-06 2016-04-09	2016-04-09 2019
MALTAIS, Camil[6][7] Quebec, Canada	President, Regional Council – Saguenay–Lac-Saint-Jean, Charlevoix and Côte-Nord	Agricultural entrepreneur Ferme Maltais enr.	2017-03-25	2020
OUELLET, Roch[6] Quebec, Canada	President, Regional Council – Outaouais, Abitibi-Témiscamingue and Nord-du-Québec	Retired executive from the school sector since 2005	2017-03-25	2020

Name, province and country of residence	Position held within Desjardins Group	Principal positions	Beginning of term (yyyy-mm-dd)	End of term (yyyy-mm-dd)
ROUSSEAU, Serge[1] Quebec, Canada	President, Regional Council – Kamouraska and Chaudière-Appalaches Chair of Desjardins Group Retirement Committee	General manager, CPE Parc-en-ciel and the coordinating office for home-based child care in the Appalaches and family services	2014-03-28 2017-03-25	2017-03-25 2020
SAVARD, Christian[4][6] Quebec, Canada	President, Centre-du-Québec Regional Council	Retired regional and economic development professional since 2016 Formerly: General Manager, Conférence régionale des élus de la Mauricie	2015-03-28	2018-03-24
SIMARD, Mario[3][5][8] Quebec, Canada	President, Regional Council – Québec-Est Chair of the Federation's Cooperation and Network Liaison Commission	Retired from the Ministère du Travail, de l'Emploi et de la Solidarité sociale since 2016 Formerly: Head of Ancillary services, Ministère du Travail, de l'Emploi et de la Solidarité sociale	2016-04-09	2019
TOURANGEAU, Michel[2] Quebec, Canada	President, Regional Council – Est de Montréal	Lawyer Lapointe Rosenstein Marchand Melançon, L.L.P.	2017-03-25	2020
TOURANGEAU, Serge[2][6] Quebec, Canada	President, Regional Council – Group Caisses Chair of the Risk Management Commission of the Federation	Retired from the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation since 2005	2006-03-25 2009-03-28 2012-03-31 2015-03-28	2009-03-28 2012-03-31 2015-03-28 2018-03-24
TROTTIER, Stéphane[6][7] Ontario, Canada	President, Regional Council – Ontario	Ergonomist and President of the firm Facteurs Humains International (IHFC Ergo)	2016-04-09	2019
VINET, Yvon[1][3][4][8] Quebec, Canada	President, Regional Council – Rive-Sud de Montréal Vice-Chair of the Board of Directors of the Federation Chair of the Governance Commission of the Federation Chair of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group	Notary partner Les Notaires Lupien, Patenaude, Vinet, Gougeon, Monette inc.	2009-03-28 2012-03-31 2015-03-28 2018-03-24	2012-03-31 2015-03-28 2018-03-24 2021

(1) Member of the Executive Committee of the Federation
(2) Member of the Audit and Inspection Commission of the Federation:
- Neil Hawthorn, Michel Magnan, and Robert St-Aubin are observers.

(3) Member of the Human Resources Commission of the Federation.
(4) Member of the Governance Commission of the Federation.
(5) Member of the Cooperation and Network Liaison Commission of the Federation:
- Michel Allard and Pierre Perras (managing directors) are members of the Commission.

(6) Member of the Risk Management Commission of the Federation:
- Louis Babineau, Benoît Bélanger, Claudia Champagne and Sonia Gauthier are observers.

(7) Member of the Investment Commission of the Federation:
- Henry Jr. Klecan and Normand Provost are observers.

(8) Member of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.

Of the directors whose term expire at the end of the next annual general meeting which will be held on March 24, 2018, Christian Savard will be replaced by André Grenier (Centre-du-Québec) and Serge Tourangeau will be replaced by Michel Doré (Group Caisses) effective as of the date of the meeting.

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
CORMIER, Guy Quebec, Canada	President and Chief Executive Officer of Desjardins Group	President and Chief Executive Officer of Desjardins Group
VINET, Yvon Quebec, Canada	Vice-Chair of the Board	Notary partner Les Notaires Lupien, Patenaude, Vinet, Gougeon, Monette inc.
LAPORTE, Jean-Robert Quebec, Canada	Secretary of the Board	Lawyer Roy, Laporte inc.

Name, province and country of residence	Position held within the Federation and principal positions
BERTHIAUME, Denis Quebec, Canada	Senior Executive Vice-President and Chief Operating Officer Formerly: Senior Vice-President and General Manager, Wealth Management and Life and Health Insurance, Desjardins Group
BELLEMARE, Réal Quebec, Canada	Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer Formerly: Senior Vice-President, Operations and Performance, Desjardins Group Senior Vice-President, Risk Management, Desjardins Group
BOISVERT, Marie-Claude Quebec, Canada	Executive Vice-President, Business Services Formerly: Chief Operating Officer, Desjardins Business Capital régional et coopératif
CHAMPOUX, Francine Quebec, Canada	Executive Vice-President, Risk Management Formerly: Chief Risk Officer, Desjardins Group Vice-President, Risk, Credit Granting and Intervention Units, Business Vice-President, Risk, Corporate Banking, Capital markets and special assignments
CHRISPIN, Gregory Quebec, Canada	Executive Vice-President, Wealth Management and Life and Health Insurance and President and Chief Operating Officer, Desjardins Financial Security Formerly: Vice-President, Investments, Desjardins Group
CORMIER, Marie-Huguette Quebec, Canada	Executive Vice-President, Human Resources and Communications Formerly: Senior Vice-President, Marketing, Desjardins Group and Member/Client Experience and Communications Division, Desjardins Group
DUBOIS, Denis Quebec, Canada	Executive Vice-President, Property and Casualty Insurance and President and Chief Executive officer of Desjardins General Insurance Group Formerly: Senior Vice-President and Chief Operating Officer, Desjardins General Insurance Group subsidiaries Chief Integration Officer and General Manager, Ontario, Atlantic and Western Regions (OAW) Vice-President, Claims, Acquisitions, General Manager OAW Vice-President, Market Development, General Manager OAW
HABIB, Chadi Quebec, Canada	Executive Vice-President, Information Technology Formerly: Chief Technology Officer, Desjardins Group Vice-President, Infrastructure and Operations, Desjardins Group
LACHAÎNE, Éric Quebec, Canada	Executive Vice-President, Caisse Network and Member and Client Services Formerly: Managing Vice President, Development and Investment Solutions Vice-President, Complementary Caisse Networks

Name, province and country of residence	Position held within the Federation and principal positions
LARUE, Nathalie Quebec, Canada	Executive Vice-President. Strategy, Marketing and Personal Services Formerly: Vice-President, AccèsD Vice-President, Business Solutions Development & Implementation

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: (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 that was in effect for a period of more than 30 consecutive days.

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, 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.

CONFLICTS OF INTEREST

To the best of the knowledge of the Federation as of the date of this Annual Information Form, there are no existing or potential conflicts of interest between the Federation and its directors, its executive officers or other officers or those of the Federation's subsidiaries, except that certain of the Federation's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Federation and their duties as a director or officer of such other companies. See "Transactions with Restricted Parties and Associates" and "Directors and Executive Officers" 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, Partnership of Chartered Professional Accountants (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, 2017, and December 31, 2016, contained in the Annual Report. PwC has confirmed its independence with respect to the Federation within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

ADDITIONAL DISCLOSURE

OUTSTANDING SECURITIES

The following table sets out, as at December 31, 2017, 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 the *Fédération des caisses populaires de l'Ontario Inc.*

Number of shares		Value
32,810	Qualifying shares	$164
13,789,467	Class A Capital Shares	68,947
452,125,823	Class F Capital Shares	4,501,237[(1)]
600,532,931	Class G Capital Shares	3,002,665
694,258,599	FIN-5A Capital Shares	916,974
47,856,914	INV Capital Shares	18,946
2,865,680	SER Capital Shares	23,395
1,084,566	FED-7 Capital Shares	4,676
		$8,537,004

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

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Annual Information Form, except for the routine indebtedness (as described below), there is no outstanding indebtedness to the Federation or its subsidiaries of current and former directors, executive officers or employees of the Federation, or associates of current and former directors and executive officers.

Routine indebtedness includes: (1) loans made on terms no more favourable than loans to employees generally, for which the amount remaining unpaid does not exceed $50,000 at any time during the last completed fiscal year to any director, executive officer, or proposed nominee together with his or her associate; (2) loans to full-time employees, fully secured against the mortgage on their residence and not exceeding their annual salary; (3) loans, other than to full-time employees, on substantially the same terms available to members and customers with comparable credit and involving no more than the usual risk of collectability; and (4) loans for purchases on usual trade terms, or for ordinary travel or expense advances, or similar reasons, with repayment arrangements in accordance with usual commercial practices.

TRANSACTIONS WITH RESTRICTED PARTIES AND RELATED PARTIES

The AFSC contains a set of rules governing dealings between the caisses 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 officers of a caisse or the Federation, their related parties and legal persons a majority of whose directors or officers are officers of a caisse or the Federation are restricted parties vis-à-vis the caisse. However, for purposes of these rules, the Federation and its member caisses, *Fonds de sécurité Desjardins* 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 caisse 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 caisse, which takes the advice of the Oversight Board of the caisse on such matter.

Information on related parties on page 87 of the MD&A in the Annual Report and on pages 177-178 of the notes to the consolidated financial statements in the Annual Report is incorporated herein by reference.

AUDITORS

In accordance with applicable legislation, each year the Federation appoints an accounting firm to act as its auditor. On March 24, 2017, PricewaterhouseCoopers LLP, 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec H3B 4Y1, was appointed auditor of Federation for the fiscal year ended December 31, 2017. PricewaterhouseCoopers LLP 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 elsewhere herein.

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 THAT REFLECTS THE SIGNIFICANCE OF DESJARDINS GROUP AND ITS MAJOR ACHIEVEMENTS

In 2017, Desjardins Group's executive compensation was based not only on Desjardins Group's financial performance, but also on member and client experience and its cooperative achievements.

Desjardins Group's growth momentum continued in 2017, with increases in operating revenues and assets. These excellent results helped to increase the amount returned to members and communities, which totalled $320 million in 2017. They attest to Desjardins Group's growing effectiveness and ability to meet client and member needs and expectations. Thanks to greater financial flexibility, Desjardins Group was also able to meet client and member expectations by making the major investments required for its digital transformation. Desjardins Group also maintained a very good capitalization level in accordance with Basel III rules. Desjardins Group, Canada's leading financial cooperative group, was ranked one of the world's and North America's safest financial institutions in 2017.

Desjardins Group furthered initiatives to diversify its products and services, enhance the member and client experience and offer new products and services and technological innovations to better meet the evolving needs of members and clients. Desjardins Group leverages ongoing feedback as part of continuous operating method reviews to improve the member and client services it provides. In 2017, these numerous initiatives were rewarded, in particular with the improvement of the Net Promoter Score (NPS) and also with an increase in the number of members, including young people.

Executing on its cooperative mission, Desjardins Group has set inspiring and engaging goals to ensure performance continually serves member and client interests, while developing new tools to help its cooperative culture thrive. In 2017, Desjardins Group's achievements included a number of cooperative initiatives:

- Support for more than 70 projects as part of the $100 million Development Fund created at the end of 2016,
- Support for the new school assistance program Alloprof Parents,
- Creation of Desjardins Capital SME fund aimed at supporting the growth of SMEs in all regions of Quebec ($500 million over 5 years),
- Opening of a fifth 360^{d} space, this one on the Université Laval campus in Quebec City, to provide services to students and young people,
- Launch of Alert, which allows Desjardins home insurance policyholders to prevent certain types of damage via smart home technology,
- Implementation of new practices at Desjardins to address the climate change challenges.

Quebec's largest private employer, with approximately 46,000 employees, Desjardins Group has just been named one of the 100 Best Employers in Canada by Mediacorp for the 7th consecutive year.

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 2017, the Named Executive Officers of the Federation were:

- **Guy Cormier**
  President and Chief Executive Officer of Desjardins Group
- **Denis Berthiaume**
  Senior Executive Vice-President and Chief Operating Officer
- **Réal Bellemare**
  Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer
- **Chadi Habib**
  Executive Vice-President, Information Technology
- **Marie-Huguette Cormier**
  Executive Vice-President, Human Resources and Communications

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 both by its need to recruit and retain talent to ensure its development and 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 Federation personnel. 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 it needs to develop.

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

MARKET ANALYSIS AND REFERENCE DATA

Market data used to establish compensation for executive officer positions were produced by the firms Willis Towers Watson and Hexarem.

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 compensation has been analyzed for the following organizations:

Peer group: Canadian financial sector
42 organizations

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

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

CoBank
Crédit Agricole
Crédit Mutuel
Federal Farm Credit Banks
Groupe BPCE
OP-Pohjola Group
Rabobank
Raiffeisen Group
RZB

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. A senior executive vetting committee makes recommendations to the Human Resources Commission, which is responsible for determining executive officers' job descriptions. This vetting process aims to ensure internal equity.

OVERALL COMPENSATION POLICY FOR DESJARDINS GROUP'S SENIOR EXECUTIVES

The overall compensation policy 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.

OVERALL COMPENSATION POLICY 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, is similar to the role of his financial cooperative peers. This function requires greater independence under governance requirements than the other senior executive positions. The Chair of the Board is accountable for Desjardins Group's performance and sustainability from both financial and cooperative standpoints. This is why the annual assessment of this position is based on cooperative objectives as well as business and strategic development objectives.

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. Compensation also takes into account the limited duration of his term.

Finally, the overall compensation policy 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 development 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 establishes 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 Department in order to identify any item that could induce excessive risk-taking.

All these plans entitle the Board of Directors to choose to reduce or cancel the payment of bonuses under exceptional circumstances. The Board did not exercise this right in 2017.

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 four members of the Board of Directors and the President and Chief Executive Officer of Desjardins Group. It is responsible for making recommendations to the Board of Directors with respect to all aspects of overall compensation for all Desjardins Group employees and executives other than the President and Chief Executive Officer of Desjardins Group. Its members, other than the President and Chief Executive Officer, are the same as those on the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group and are all, except for the President and Chief Executive Officer, independent directors.

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

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 four members. The President and Chief Executive Officer of Desjardins Group does not serve on this committee. The members are: Yvon Vinet (Chair), Annie P. Bélanger, Jean-Robert Laporte and Mario Simard.

These individuals define the annual objectives of the President and Chief Executive Officer of Desjardins Group, discuss them with him, and recommend them to the Board of Directors of the Federation during an in-camera meeting presided by the Vice-Chair of the Board and the committee chair who assumed the role of lead director. The Board accepts the recommendations with or without modifications. The Committee carries out a mid-year progress review of achievements against the target objectives. At year-end, the committee presents the results for each objective to the Board of Directors, which is ultimately responsible for the assessment of the President and Chief Executive Officer of Desjardins Group. Each of the 21 other members of the Board votes, by secret ballot, his or her assessment of the degree of achievement (maximum of 100%) of each of the objectives. The votes are then compiled to obtain the final weighted result for all the objectives. These processes are carried out in an in-camera session presided by the Vice-Chair of the Board and the committee chair.

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

Compensation consulting or advisory services

In 2017, the services of the Willis Towers Watson and Hexarem firms were used. These two firms have supported Desjardins Group with regard to global compensation for several years.

In 2017, these firms billed Desjardins Group fees of $236,900 for carrying out their services. These fees cover work related to developing the annual incentive plan for 2018 and also conducting specific surveys on compensation and employment practices in different areas of the organization.

The following table shows the fees billed to Desjardins Group by these firms in 2017. No services were rendered by these firms in 2016.

Services provided	Willis Towers Watson	Hexarem
	2017	2017
Executive compensation – Related fees	$33,900	$11,500
Other fees (Desjardins Group)	$191,500	$0

Specific actions to limit risks related to compensation

Every general and individual incentive plan has been analyzed beforehand using the analysis parameters and evaluation grids established by the Risk Management sector prior to being recommended to the decision-making bodies.

In addition, with respect to Desjardins Group's senior executives and high-income earners, with the exception of the President and Chief Executive Officer of Desjardins Group, all incentive plans provide for deferring a significant part of the participants' annual bonus over the medium or long term. The amounts thus deferred may vary annually depending on the results of Desjardins Group.

This formula encourages key stakeholders to adopt a long-term development view for Desjardins Group, benefitting its members and clients for whom its sustainability is both fundamental and encouraging.

Particular attention has been given to overall compensation of members of the Management Committee, and specifically that of the President and Chief Executive Officer of Desjardins Group, 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 is determined based on the market value of the work performed, internal pay relativity and the level of individual performance on the job. Overall the executive compensation includes a base salary as well as short-term and long-term incentive bonuses, to which are added fringe benefits, a pension plan and perquisites.

These items are summarized in the table below:

Components		Objectives
Base salary		• Recognition of responsibilities, skills, competencies and experience
Variable compensation ***(at risk)***	**Annual bonus**	• Value creation for members and clients • Recognition of Desjardins Group results and individual performance
	Mid-term and long-term compensation[(1)]	• Creation of sustainable values for the whole Desjardins Group • Retention
Indirect compensation	**Pension plan and fringe benefits**	• Maintenance of adequate revenue at retirement • Adequate protection in case of death, disability or illness
	Perquisites	• Required for business purposes • Linked to the position's status

(1) The mid-term 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.

Components	Objectives
Target positioning for overall compensation	
Non-executive employees	• 100% of the median for the Canadian financial sector
Executives (levels 1 to 5)	• 100% of the median for the Canadian financial sector
Executives (levels 6 and up)	• 95% of the median for the Canadian financial sector
Vice-presidents	• 85% of the median for the Canadian financial sector
Executive Vice-presidents	• 85% of the median for the Canadian financial sector
President and Chief Executive Officer of Desjardins Group	• 100% of the median for cooperative financial groups of comparable size

DESCRIPTION OF COMPONENTS OF OVERALL COMPENSATION OF EXECUTIVE OFFICERS

Base salary

The 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 in revising the annual salaries.

Annual Incentive Plan

The incentive plan for senior executives of Desjardins Group reflects their role and responsibilities for the collective results of Desjardins Group.

It seeks to recognize the participants' contributions to meet objectives that support the strategic and financial plan of Desjardins Group, generating results over the short and medium terms.

The plan is comprised of indicators based on and applicable to all of Desjardins Group to ensure teamwork and alignment around priority objectives.

A bonus will be paid only if the overall profitability trigger defined at the beginning of the year for Desjardins Group is met and if individual performance fully meets expectations.

Annual Incentive Plan indicators for 2017

2017 Indicators Desjardins Group - single level	Relative weight
Member and client experience • NPS – Moments of Truth[1] • NPS - Industry comparative[2]	45%
Performance • Net surplus earnings • Return on capital • Gap between income growth and expense growth	35%
Growth • Variation in number of members • Variation in number of products held by members • Growth of insurers – premium volume	20%

Each of these indicators is associated with a specific weighting that reflects its relative importance in the 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 2017, the overall achievement level was 110.77% 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	• Defined based on Desjardins Group's net surplus earnings objective and generally represents Desjardins Group's ability to pay.
Target	• Level required for budget achievement; this corresponds to an ambitious challenge, which can be attained with sustained effort
Threshold and maximum	• The range above and below the target need not be symmetrical.
Threshold	• Level from which performance is deemed sufficient to justify bonus payment
Maximum	• Target significantly exceeded; this corresponds to exceptional results, while still being a potentially attainable goal

[1] The Net Promoter Score (NPS) is based on Moments of Truth and measures the intention of Desjardins Group members and clients to recommend Desjardins following a decisive interaction with the organization called a Moment of Truth (e.g. opening an account, losing a credit card, making an insurance claim).
[2] The comparative industry NPS measures the likelihood of a client recommending their primary financial institution or insurer. This benchmarking study enables us to determine Desjardins Group's position in the market relative to its main competitors and to track this position over time.

	Rules
Objectives	• Of a financial and strategic nature 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	• Historical (at least three years) for each performance indicator. • Summary written documentation of the steps taken to establish the threshold, target, and maximum objectives retained. • Financial validation: - Amount of bonus if only thresholds are achieved for all indicators (assuming that the financial trigger is met); - Amount of bonus if all indicators maximums are achieved.
Finance	• 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.

Only 60% of the annual bonus earned 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, depending on the overall performance of Desjardins Group.

This:

- extends the time horizon of the executive compensation package in a manner that appropriately reflects their influence on Desjardins Group's 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 Canadian capital market.

Desjardins Group's net surplus earnings indicator is used to determine the fluctuation in the 40% deferred portion of the bonus. The target rate retained corresponds to the level of profitability established by the Board of Directors of the Federation. Fluctuation is determined on a proportional basis and is only earned at the end of the three-year period following the date on which the bonus was declared.

Long-term Incentive Plan

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 profitability 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 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 the level of their position. If the trigger based on Desjardins Group's net surplus earnings objective is met, this percentage is paid into the participant's reserve. Otherwise, no amount is paid.

This reserve will also be adjusted based on Desjardins Group's annual rate of return. The adjustment represents twice the difference between the target rate of return and the actual rate of return. For example, if the target rate is 12% and a rate of 13% is achieved, the additional 1% provides for an upward adjustment of 2%. Downward adjustments may also apply.

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

Under the short-term incentive plan applicable to him, Mr. Cormier is entitled to a bonus which, if targets are attained, is equivalent to 100% of his salary. The maximum payout is equivalent to 150% of his salary.

It is based on cooperative and financial strategic objectives with results performance-weighted according to specific priority objectives of Desjardins Group's strategic planning.

This plan is subject to a trigger based on Desjardins Group's net surplus earnings objective.

The committee mandated to determine the overall compensation of the President and Chief Executive Officer of Desjardins Group sets the objectives of the President and Chief Executive Officer of Desjardins Group, discusses them with him, and submits them to the Board of Directors of the Federation, which accepts them with or without modifications.

At year-end, this committee presents the Board of Directors with a report on the achievements of the President and Chief Executive Officer of Desjardins Group. The Board members vote individually on the degree to which the results have been achieved on a 100% basis. The average of the results so obtained is applied to the target bonus of 100%, which is then weighted against the performance attained on the priority targets set at the beginning of the year. For example, if the overall result is 90% and the performance-based multiplier on specific priority targets of Desjardins Group's strategic planning is 95%, the bonus is equal to 90% × 100% (target bonus) × 95%, or 85.5% of the salary, but is not paid unless the trigger is reached.

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 executive officers. 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 and senior executives of Desjardins Group. The DGPP is funded and administered by a Pension Committee consisting of members representing employers and employees of Desjardins Group.

Under this plan, members are entitled to:

- receive a pension, for each year credited before 2009, equal to 1.3% of their average salary for their five highest paid years up to the average maximum pensionable earnings of the last five years, plus 2.0% of the excess amount;
- receive a pension, for each year credited between 2009 and 2012, equal to 1.5% of their average salary for their five highest paid years up to the average maximum pensionable earnings of the last five years, plus 2.0% of the excess amount;
- receive a pension, for each year credited as of January 2013, equal to 1.5% of their average salary for their eight highest paid years up to the average maximum pensionable earnings of the last five years, plus 2.0% of the excess amount.

The normal retirement age is 65. However, members may take early retirement from age 55. For service years credited before 2009, all members who are at least 57 years old and for whom the total of their age and their years of continuous service is equal to at least 85 are not subject to any actuarial adjustment.

For service years credited starting as of 2009, any member who is at least 62 years old is not subject to any actuarial adjustment. However, the total pension may not exceed the maximum pension permitted by the *Income Tax Act* (Canada).

The DGPP provides for the payment, for each year credited before 2013, of a joint and survivorship annuity that is guaranteed for a period of 10 years. After the member's death, the pension payable is reduced to 60% of the pension which otherwise would have been payable. However, if the member does not have a spouse at retirement, the annuity is guaranteed for 15 years. Annuities for the years credited starting in January 2013 have a 10-year guarantee. The pension paid for service credited prior to 2013 is indexed based on the average Consumer Price Index, subject to a maximum of 3% per year. For service credited starting in January 2013, the pension paid is indexed based on the cost of living as of age 65, subject to a maximum of 1% per annum, over 10 years.

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, 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 core 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, 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 program, 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.

OVERALL COMPENSATION INFORMATION FOR DESJARDINS GROUP FOR 2017[1]

In 2017, the overall compensation paid to all Desjardins Group executives and employees was generally in line with its compensation policy guidelines.

Job category	Canadian financial market	
	Target objectives	Overall actual compensation[2]
Non-executive employees	100%	104%
Executives (levels 1 to 5)	100%	102%
Executives (levels 6 and up)	95%	93%
Vice-presidents	85%	88%
Executive vice-presidents	85%	85%

Job category	Cooperative financial groups of comparable size		Canadian financial market	
	Target objectives	Overall actual compensation	Target objectives	Overall actual compensation
President and Chief Executive Officer	100%	100%	N/A	N/A

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

The difference between the salary and overall compensation of the incumbent 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 2017, the ratio was a multiple of 32[3] compared to the average full-time equivalent employee.

General incentive plan for executive officers for 2017

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.[4] 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.

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[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] For Vice-Presidents and under, the positioning of actual overall compensation is carried out over two years. The present positioning is therefore that of 2016 and will be updated in 2018.

[3] 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).

[4] A summary of those objectives is disclosed on pages 52 to 54.

In 2017, the results were as follows:

	Target objectives (budget)	**Results for 2017**	**Trigger** (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	110.77%	Attained

Under the general incentive plan, the amounts for prior years put in reserve (i.e., 40% of the annual bonus) fluctuated by 1.097 times their value owing to the results for net surplus earnings for Desjardins Group. 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 results achieved per the net surplus earnings annual target objective for Desjardins Group.

2017 Long-term incentive plan

The plan provides that if the threshold for overall performance indicator results for Desjardins Group is achieved, the stipulated percentage is paid into the participant’s reserve. Otherwise, no amount is paid.

Given that performance indicator results for Desjardins Group exceeded the threshold, all stipulated bonuses (expressed as a percentage of the base salary of each executive officer) were awarded.

The participants’ reserve of amounts earned in prior years was adjusted by plus 1.98%, which is equal to two times the difference between the expected return on equity and the realized return on equity.

OVERALL INDIVIDUAL COMPENSATION PAID IN 2017 TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION

Overall 2017 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 threshold is met. In 2017, the trigger threshold was for Desjardins Group's net surplus earnings to reach $1,575 million. **This trigger threshold was exceeded.**

Objectives and achievements of the President and Chief Executive Officer of Desjardins Group for 2017

Following a successful transition to the President and Chief Executive Officer position in 2016, the year 2017 was marked by the consolidation of achievements and the continuation of work in progress, thanks to several factors including employee commitment and support for the vision and ambitions championed by the President and the Board of Directors.

With surplus earnings of over $2 billion, a net increase in membership of more than 23,000 members, significantly higher satisfaction levels among individual and business members and Property and Casualty insurance clients and operating revenues up 7.5%, 2017 is undoubtedly one of Desjardins' best years in terms of business and financial performance.

The $100 million Fund, created in 2016 to support projects related to Desjardins' socio-economic mission in Quebec and Ontario, attracted a high level of interest and generated more than 70 projects totalling $19 million in 2017.

The Congress held in October 2017 also fostered strong and decisive governance and community engagement. Driven by the desire to shape the future of Desjardins, this approach has been a defining element for Desjardins Group and has generated confidence and pride among executives and general managers.

Innovation remains a priority for Desjardins. Effective cost management has made it possible for Desjardins to continue to invest in technological development and thereby purse digital transformation.

Lastly, Desjardins Group's financial stability and excellent results in 2017 made it possible to return nearly $320 million to members and communities.

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 assessed that the cooperative and financial strategic objectives were 89.88% achieved in 2017 which, combined with 104.69% attainment of the strategic objectives used for weighting purposes, triggered a bonus equal to 94.10% of his base salary.

Direct compensation for 2017
Guy Cormier

Components	Value for 2017
Base salary	$921,638
Annual incentive plan	$867,261
Total direct compensation	$1,788,899

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 2017, his pension plan enhancement amounted to $691,875.

Overall 2017 compensation of Senior Executive Vice-President and Chief Operating Officer

Denis Berthiaume

In 2017, incentive plan results were detailed as follows:

	Target objectives (budget)	**Results for 2017**	**Trigger** (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	110.77%	Attained

The results attained earned Denis Berthiaume a bonus equal to 110.77% of his eligible base salary.

In addition, he was granted $339,157 under the Long-term Incentive Plan. An amount of $260,075 deferred in 2014 also vested, becoming payable after adjustment for Desjardins Group's financial performance.

Direct compensation for 2017
Denis Berthiaume

Components	**Value for 2017**
Base salary	$677,802
Annual incentive plan	$450,821 (1)
Long-term incentive plan	$599,232 (2)
Total direct compensation	$1,727,855

(1) Pursuant to the provisions of the 2017 incentive plan for Desjardins Group senior executives, the annual incentive compensation comprised a fixed annual component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Consequently, the amount indicated only represents the component of the annual incentive compensation earned in fiscal 2017 (60% of the 2017 bonus) and paid at the beginning of fiscal 2018.

(2) The amount indicated represents the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan and paid at the beginning of fiscal 2018. This also includes the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). The PCD will vary based on Desjardins Group's financial performance and will become payable upon retirement.

Overall 2017 compensation of Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer

Réal Bellemare

In 2017, incentive plan results were detailed as follows:

	Target objectives (budget)	**Result for 2017**	**Trigger** (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	110.77%	Attained

The results attained earned Réal Bellemare a bonus equal to 99.69% of his eligible base salary.

In addition, he was granted $157,592 under the Long-term Incentive Plan. An amount of $197,633 deferred in 2014 also vested, becoming payable after adjustment for Desjardins Group's financial performance.

Direct compensation for 2017
Réal Bellemare

Components	**Value for 2017**
Base salary	$524,718
Annual incentive plan	$314,216 (1)
Long-term incentive plan	$355,255 (2)
Total direct compensation	$1,194,159

(1) Pursuant to the provisions of the 2017 incentive plan for Desjardins Group senior executives, the annual incentive compensation comprised a fixed annual component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Consequently, the amount indicated only represents the component of the annual incentive compensation earned in fiscal 2017 (60% of the 2017 bonus) and paid at the beginning of fiscal 2018.

(2) The amount indicated represents the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan and paid at the beginning of fiscal 2018. This also includes the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). The PCD will vary based on Desjardins Group's financial performance and will become payable upon retirement.

Overall 2017 compensation of Executive Vice-President, Information Technology

Chadi Habib

In 2017, incentive plan results were detailed as follows:

	Target objectives (budget)	**Result for 2017**	**Trigger** (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	110.77%	Attained

The results attained earned Chadi Habib a bonus equal to 94.15% of his eligible base salary.

In addition, he was granted $137,030 under the Long-term Incentive Plan. An amount of $106,427 deferred in 2014 also vested, becoming payable after adjustment for Desjardins Group's financial performance.

Direct compensation for 2017
Chadi Habib

Components	**Value for 2017**
Base salary	$456,505
Annual incentive plan	$458,039 (1)
Long-term incentive plan	$243,457 (2)
Total direct compensation	$1,158,001

(1) Pursuant to the provisions of the 2017 incentive plan for Desjardins Group senior executives, the annual incentive compensation comprised a fixed annual component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Also, as part of a transition phase, a loyalty bonus was awarded in 2016 and 2017. Consequently, the amount indicated represents the component of the annual incentive compensation earned in fiscal 2017 (60% of the 2017 bonus) and the award of a loyalty bonus for 2017, paid at the beginning of fiscal 2018.

(2) The amount indicated represents the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan and paid at the beginning of fiscal 2018. This also includes the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). The PCD will vary based on Desjardins Group's financial performance and will become payable upon retirement.

Overall 2017 compensation of Executive Vice-President, Human Resources and Communications

Marie-Huguette Cormier

In 2017, incentive plan results were detailed as follows:

	Target objectives (budget)	**Result for 2017**	**Trigger** (Desjardins Group net surplus earnings)
Desjardins Group objectives	100%	110.77%	Attained

The results attained earned Marie-Huguette Cormier a bonus equal to 94.15% of her eligible base salary.

In addition, she was granted $146,164 under the Long-term Incentive Plan. An amount of $153,742 deferred in 2014 also vested, becoming payable after adjustment for Desjardins Group's financial performance.

Direct compensation for 2017
Marie-Huguette Cormier

Components	**Value for 2017**
Base salary	$486,937
Annual incentive plan	$275,240 (1)
Long-term incentive plan	$299,906 (2)
Total direct compensation	$1,062,083

(1) Pursuant to the provisions of the 2017 incentive plan for Desjardins Group senior executives, the annual incentive compensation comprised a fixed annual component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Consequently, the amount indicated only represents the component of the annual incentive compensation earned in fiscal 2017 (60% of the 2017 bonus) and paid at the beginning of fiscal 2018.

(2) The amount indicated represents the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan and paid at the beginning of fiscal 2018. This also includes the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). The PCD will vary based on Desjardins Group's financial 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 ($)	All other compensation[2] ($)	Total compensation ($)
			Annual incentive plan	Long-term incentive plan[1]			
Guy Cormier President and Chief Executive Officer, Desjardins Group	2017	921,638	867,261	N/A	967,221	N/A	2,756,120
	2016	774,768	672,266	N/A	626,343	N/A	2,073,377
	2015	481,237	277,545	870,377	183,229	N/A	1,812,388
Denis Berthiaume Senior Executive Vice-President and Chief Operating Officer	2017	677,802	450,821[3]	599,232	122,889	N/A	1,850,744
	2016	615,858	369,106	559,062	276,007	N/A	1,820,033
	2015	542,831	379,510	431,850	116,261	N/A	1,470,452
Réal Bellemare Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer	2017	524,718	314,216[3]	355,225	111,718	N/A	1,305,877
	2016	484,308	242,994	349,859	185,905	N/A	1,263,066
	2015	451,587	297,053	304,535	116,898	N/A	1,170,073
Chadi Habib Executive Vice-President, Information Technology	2017	456,505	458,039[4]	243,457	89,870	N/A	1,247,871
	2016	397,350	271,100	200,768	244,561	N/A	1,113,779
	2015	331,585	153,828	106,328	62,552	N/A	654,293
Marie-Huguette Cormier Executive Vice-President, Human Resources and Communications	2017	486,937	275,240[3]	299,906	6,866	N/A	1,068,949
	2016	460,205	221 731	287,446	489,314	N/A	1,458,696
	2015	414 351	252 114	221,019	323,740	N/A	1,211,224

(1) The amounts indicated represent, for each Named Executive Officer, the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in the changes that took place based on the parameters established by the Desjardins Group senior executive incentive plan and paid at the beginning of fiscal 2018. They also factor in the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). The PCD will vary based on Desjardins Group's financial performance and will become payable upon retirement. The President and Chief Executive Officer of Desjardins Group is not eligible for 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) During fiscal 2017, the personal benefits granted to executive officers did not exceed the lesser of 10% of their salary or $50,000.

(3) Pursuant to the provisions of the 2017 incentive plan for senior executives of Desjardins Group, the annual incentive compensation comprised a fixed component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Consequently, the amount indicated only represents the component of the annual incentive compensation earned in fiscal 2017 (60% of the 2017 bonus) and paid at the beginning of fiscal 2018.

(4) Pursuant to the provisions of the 2017 incentive plan for senior executives of Desjardins Group, the annual incentive compensation comprised a fixed annual component (60% of the 2017 bonus) and a variable deferred component (40% of the 2017 bonus). The deferred component will vary based on Desjardins Group's financial performance and will only be earned at the end of the three-year period following the date on which the bonus was declared. Also, as part of a transition phase, a loyalty bonus was awarded in 2016 and 2017. Consequently, the amount indicated only represents the annual incentive compensation component earned in fiscal 2017 (60% of the 2017 bonus) and the award of a loyalty bonus for 2017, paid at the beginning of fiscal 2018.

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	2017	867,261
Denis Berthiaume Senior Executive Vice-President and Chief Operating Officer	2017	1,050,053 (1)
Réal Bellemare Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer	2017	669,441 (1)
Chadi Habib Executive Vice-President, Information Technology	2017	701,496 (2)
Marie-Huguette Cormier Executive Vice-President, Human Resources and Communications	2017	575,146 (1)

(1) The amounts indicated represent the fixed component of the annual incentive compensation (60% of the 2017 bonus), the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017 and factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan, as well as the compensation awarded under the long-term incentive plan (PCD) for fiscal 2017, which will become payable upon retirement. That amount will vary each year based on Desjardins Group's financial performance and will become payable upon retirement.

(2) The amount indicated represents the annual incentive compensation (60% of the 2017 bonus), the award of a loyalty bonus in 2017 and the variable deferred component of the annual incentive compensation awarded for the year ended December 31, 2014 and earned in 2017, factoring in all the changes based on the parameters established by the Desjardins Group senior executive incentive plan, in addition to the compensation awarded under the long-term incentive plan (PCD) for fiscal 2017, which will become payable upon retirement. That amount will vary each year based on Desjardins Group's financial 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, 2016 ($)[1]	Amount awarded for the year ended December 31, 2017 ($)[2]	Accumulated value as at December 31, 2017 ($)
Guy Cormier President and Chief Executive Officer, Desjardins Group	N/A	N/A	N/A
Denis Berthiaume Senior Executive Vice-President and Chief Operating Officer	1,123,480	339,157	1,462,637
Réal Bellemare Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer	649,652	157,592	807,244
Chadi Habib Executive Vice-President, Information Technology	76,250	137,030	213,280
Marie-Huguette Cormier Executive Vice-President, Human Resources and Communications	594,093	146,164	740,257

(1) The amounts represent, for each Named Executive Officer, the accumulated value of the compensation awarded under the long-term incentive plan (PCD) as at December 31, 2016, factoring in the changes that took place based on the parameters established under the PCD. That amount will vary each year based on Desjardins Group's financial performance and will become payable upon retirement. The President and Chief Executive Officer of Desjardins Group is not eligible for 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 amounts indicated represent, for each Named Executive Officer, the compensation awarded for fiscal 2017 under the long-term incentive plan (PCD). This amount will vary each year based on Desjardins Group's financial performance and will become payable upon retirement.

BENEFITS UNDER A PENSION PLAN SPECIFIC TO NAMED EXECUTIVE OFFICERS OF THE FEDERATION FOR 2017

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	25.00	294,286	406,741[1]	3,924,281	967,221	489,383	5,380,885
Denis Berthiaume Senior Executive Vice-President and Chief Operating Officer	20.58[2]	116,952	224,970	1,919,877	122,889	244,519	2,287,285
Réal Bellemare Executive Vice-President, Finance, Treasury, Administration and Chief Financial Officer	8.23	65,830	165,453	1,016,715	111,718	143,343	1,271,776
Chadi Habib Executive Vice-President, Information Technology	6.83	45,270	169,339	714,030	89,870	122,118	926,018
Marie-Huguette Cormier Executive Vice-President, Human Resources and Communications	27.58	215,694	276,602	4,215,438	6,866	464,978	4,687,282

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

(2) Denis Berthiaume was previously credited 13.27 additional years for DGPP purposes (included in the 20.58 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.

DIRECTOR COMPENSATION

Directors are compensated in accordance with the Federation's by-laws.

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

COMPENSATION RATES FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF THE FEDERATION AND DESJARDINS TRUST INC.

	Federation	Desjardins Trust Inc.	Subsidiaries
Chair of the Board of Directors[1]	$0 This position is held by the President and CEO of Desjardins Group	$0 This position is held by the President and CEO of Desjardins Group	$10,000
Annual stipend for the chair of a commission or committee of the Board of Directors[2]	$6,500	$6,500	$6,500
Annual stipend for the Vice-Chair of the Board of Directors	$13,333	$6,667	--
Annual stipend for a member of the Board of Directors[3]	$21,333	$10,667	$10,000
Annual stipend for a member of a commission or committee of the Board of Directors[4]	$2,000	$2,000	$2,000
Attendance fee for a meeting of the Board of Directors[5]	$1,200 (daily maximum)	$1,200 (daily maximum)	$1,200 (daily maximum)
Attendance fee for a meeting of a commission or committee of the Board of Directors[5]	$600 (per half-day)	$600 (per half-day)	$600 (per half-day)
Conference call	$200	$200	$200
Attendance fee for a meeting of the Ethics and Professional Conduct or the Ethics Committee	$2,400 (Chair) $1,200 (members)	$2,400 (Chair) $1,200 (members)	$600 (per half-day)
Annual stipend for the president of a regional council or the group caisse council[3]	$15,000	N/A	N/A
Attendance fee for a meeting of the regional council or the group caisse council	$300	N/A	N/A

N/A: Not applicable

(1) 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 Trust Inc.

(2) The attendance fee is doubled in lieu of the annual stipend for the chairs of commissions or committees that hold fewer than four meetings per year, except for the chair of the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.

(3) Federation Board members receive an annual stipend of $32,000 for their service as directors of the Federation and of Desjardins Trust Inc. This amount is equally allocated among these two components. The stipend paid to the two managing directors is $24,800, with an additional $7,500 for their roles as vice-presidents of their respective regional council.

(4) The annual member stipend is paid regardless of the number of commissions or committees the member sits on for the Federation or Desjardins Trust Inc. In other words, a single stipend is paid for all positions held with both components.

(5) The maximum daily attendance fee is $1,200, 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 elected caisse officer 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 to the officer 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 fee.

Director compensation

The following table discloses the individual compensation received in 2017 by the members of the Board of Directors in the course of directorships with the Federation, Desjardins Trust Inc. (DT) and Desjardins Capital Inc. (DCI) or as otherwise indicated below:

	Compensation received for directorships with the Federation, DT and DCI		Other fees[1]		
Name	**Meeting fees ($)**	**Annual retainer ($)**	**Meeting fees ($)**	**Annual retainer ($)**	**2017 TOTAL ($)**
ALLARD, Michel	37,769.13	22,250.00	9,530.87	26,800.00	96,350.00
BABINEAU, Louis	48,075.94	58,425.00	7,001.34	15,587.50	129,089.78
BARIL, Jacques[5]	15,640.14	12,250.00	2,359.86	3,750.00	34,000.00
BÉLANGER, Annie P. (Chair of the Board of DID)[2]	37,960.18	49,000.00	15,139.83	40,500.00	142,600.01
BÉLANGER, Benoît[3]	2,100.00	25,989.32	-	-	28,089.32
CHAMBERLAND, Serges[5]	19,796.52	15,500.00	2,203.49	1,750.00	39,250.01
CHAPDELAINE, Claude	35,651.91	49,000.00	2,648.10	10,000.00	97,300.01
CHEVALIER, Carole	38,948.77	54,045.50	3,751.26	16,131.04	112,876.57
CORBEIL, Stéphane (President of FSD)	44,765.11	49,000.00	5,634.87	9,375.00	108,774.98
CORMIER, Guy (Chair of the Board of DGIG)[2][4]	N/A	N/A.	N/A	N/A	N/A
DESSUREAULT, Sylvain	1,800.00	35,266.00	-	-	37,066.00
FORAND, Luc[5]	16,557.37	13,875.00	1,942.63	1,250.00	33,625.00
GENEST, Yves	2,700.00	34,000.00	-	12,000.00	48,700.00
GROULX, Nadine[6]	39,345.09	44,489.34	2,554.91	2,303.37	88,692.71
HAWTHORN, Neil	2,500.00	34,000.00	-	-	36,500.00
LAPORTE, Jean-François[3]	32,063.75	37,492.13	4,336.24	3,625.00	77,517.12
LAPORTE, Jean-Robert (Chair of the Board of DSF)[2]	38,260.18	49,333.00	19,839.82	40,500.00	147,933.00
MALTAIS, Camil[3]	32,645.09	37,492.13	1,354.91	-	71,492.13
OUELLET, Roch[3]	31,445.09	37,492.13	1,354.91	5,437.50	75,729.63
PARÉ, Denis[6]	7,264.71	4,358.14	35.29	162.92	11,821.06
PERRAS, Pierre[3]	31,445.09	26,340.72	1,554.91	7,250.00	66,590.72
RAÎCHE, Alain[5]	2,400.00	8,500.00	-	500.00	11,400.00
ROUSSEAU, Serge	32,263.52	49,000.00	6,336.51	32,937.50	120,537.53
SAINT-PIERRE BABIN, Sylvie[5]	13,153.19	13,875.00	4,846.82	4,625.00	36,500.01
SAVARD, Christian	42,669.13	49,000.00	1,730.87	7,250.00	100,650.00
SIMARD, Mario	42,873.84	53,712.50	11,826.16	-	108,412.50
TOURANGEAU, Michel[3]	30,963.75	37,492.13	3,436.24	3,625.00	75,517.12
TOURANGEAU, Serge	44,467.79	62,000.00	3,632.20	3,625.00	113,724.99
TROTTIER, Stéphane	38,869.13	49,000.00	4,230.87	12,500.00	104,600.00
TURCOTTE, Benoît[5]	14,740.15	8,575.00	2,359.86	5,000.00	30,675.01
VINET, Yvon[7]	41,008.79	88,500.00	3,791.22	12,000.00	145,300.01
Total	**820,143.36**	**1,109,253.04**	**123,433.99**	**278,484.83**	**2,331,315.22**

N/A: not applicable

(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., Desjardins Capital Inc., *Fonds de sécurité Desjardins*, Desjardins Technology Group Inc., and Desjardins Shared Services Group Inc. 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) Term began on 25 March 2017.

(4) The President and Chief Executive Officer of Desjardins Group receives no compensation as Chair of the Board of the Federation, DT, DCI and DGIG.

(5) Jacques Baril, Serges Chamberland, Luc Forand, Sylvie Saint-Pierre Babin, Alain Raîche and Benoit Turcotte completed their terms on March 25, 2017.

(6) Denis Paré completed his term on January 30, 2017. He was replaced by Nadine Groulx effective February 23, 2017.

(7) Yvon Vinet receives indemnities due to his role as Vice-Chair of the Board of Directors, Chair of the Governance 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, Stéphane Corbeil, Jean-François Laporte, Michel Tourangeau and Serge Tourangeau. All Committee members are independent and financially literate in accordance with *Regulation 52-110 respecting Audit Committees*. Neil Hawthorn, 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 in that capacity. More specifically, their expertise is as follows:

- **Louis Babineau**, Chair of the Committee, 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 has directorships with the Federation, Desjardins Capital Inc. and Desjardins Trust Inc., and is Chair of the Audit and Inspection Commission and the audit committees of those entities. He also serves on the Board of Directors of *Fonds de sécurité Desjardins*.

- **Jean-François Laporte** holds a Master of Business Administration degree and is Chair of the Board of Directors of *Caisse Desjardins de la Pommeraie*. He has directorships with the Federation, Desjardins Capital Inc. and Desjardins Trust Inc., and serves on the Audit and Inspection Commission and the audit committees of those entities. He also serves on the Board of Directors of *Fonds de sécurité Desjardins*.

- **Stéphane Corbeil** holds an MBA in portfolio and treasury management and a BBA in financial analysis and accountancy. He also holds the title of Chartered Financial Analyst (CFA). He is Chairman of the Board of *Caisse Desjardins du Nord de Laval*. He has directorships with the Federation, Desjardins Capital Inc. and Desjardins Trust Inc., and serves on the Audit and Inspection Commission and the audit committees of those entities. He is also Chair of the Board of Directors of *Fonds de sécurité Desjardins* and serves on the Risk Management Commission of the Federation.
- **Michel Tourangeau** is a lawyer and a certified director. He serves on the Board of *Caisse Desjardins du Centre-est de Montréal*. He has directorships with the Fédération, Desjardins Capital Inc. and Desjardins Trust Inc., and is a member of the Audit and Inspection Commission and the audit committees of those entities. He also serves on the Board of Directors of *Fonds de sécurité Desjardins*.

- **Serge Tourangeau** has a diploma in finance and management and is a retired senior public servant. He serves on the Board of *Caisse Desjardins de l'Administration et des Services publics*. He has directorships with the Federation, Desjardins Capital Inc. and Desjardins Trust Inc. He serves on the Audit and Inspection Commission and the audit committees of those entities. He also serves on the Board of *Fonds de sécurité Desjardins*. He is Chair of the Risk Management Commission of the Federation.

Members also have access to orientation 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, 2017 and 2016 and ending December 31, 2017 and 2016, respectively, PricewaterhouseCoopers LLP (PricewaterhouseCoopers) billed the Federation for the fees described in the following tables as at December 31, 2017.

Audit-related fees

	2017	2016
PricewaterhouseCoopers	$4,653,681	$5,899,702

Audit-related services fees

Translation of financial reports, specific procedures related to management discussion and analysis, work performed in connection with the covered bond program, the prospectus and accounting positions.	2017	2016
	$975,645	$1,505,342

Tax fees

	2017	2016
Other professional services related to tax matters	$55,331	$1,585

Other fees

	2017	2016
Consulting services for anti-money laundering, support engagements for various matters, actuarial services	$520,442	$3,500

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 composed of 22 directors consisting of the President and Chief Executive Officer, the presidents of the 16 regional councils, the president of the council of group caisses and 4 caisse general managers elected in accordance with the internal by-laws of the Federation (by-laws). The two vice-presidents of the regional councils of the Outaouais, Abitibi-Témiscamingue and Nord-du-Québec region and the Bas-Saint-Laurent and Gaspésie-Îles-de-la-Madeleine region also serve on the Board of Directors of the Federation as managing directors. These two directors are non-voting directors.

The caisses appoint delegates from their officers. Together, they form a regional or sector general meeting, including the group caisses general meeting, for each of the different regions determined by by-law. Each regional or sector general meeting elects a total of 15 officers, generally from the various caisses, who make up the regional council or council of group caisses. At their respective general meetings, each regional council and council of group caisses elects its president, who serves ex officio on the Board of the Federation.

Each regional general meeting also names the general managers of the region's caisses who will be eligible to hold the positions reserved for managers on the Federation's Board of Directors. Consisting of the entire membership of all of the regional councils and council of group caisses, the Assembly of Representatives elects the four general managers in the prescribed manner—one position for each of the three main regions and one universal position—who will serve on the Board of Directors. In accordance with the by-laws, the Assembly of Representatives elects the President and Chief Executive Officer.

No directors have business or personal relationships 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 under the concept of independence defined in *Regulation 52-110 respecting Audit Committees*:

Louis Babineau
Claude Chapdelaine
Stéphane Corbeil
Jean-François Laporte
Camil Maltais
Serge Rousseau
Mario Simard
Serge Tourangeau
Yvon Vinet
Annie P. Bélanger
Carole Chevalier
Nadine Groulx
Jean-Robert Laporte
Roch Ouellet
Christian Savard
Michel Tourangeau
Stéphane Trottier

Michel Allard and Pierre Perras are managing directors, and are independent, to the same extent as directors above.

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 under the concept of independence defined in *Regulation 52-110 respecting Audit Committees*:

Guy Cormier
Benoît Bélanger
Sylvain Dessureault
Yves Genest
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 four 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. They generally 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 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 who is also an officer elected by member representatives (the President and Chief Executive Officer of Desjardins Group).
2. The General Meeting created the position of Vice-Chair of the Board of Directors, who presides over Board of Directors meetings when deliberations require the President and Chief Executive Officer to withdraw. The by-laws specify that the Vice-Chair of the Board replaces the Chair of the Board when the latter cannot act, particularly when the Chair is in a real or perceived conflict of interest situation.
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.
5. In-camera sessions without the presence of the President and Chief Executive Officer are held with those holding independent oversight functions, namely the Senior Vice-President, Finance, Treasury and Administration and Chief Financial Officer, Senior Vice-President, Risk Management, the Chief Monitoring Officer, Desjardins Group and Vice-President and Chief Compliance Officer.
6. The Chair of the Audit and Inspection Commission is an independent director.
7. The mandate of the Corporate Governance Commission (which includes only one non-independent member) is as follows:
   (a) Managing relations between the Board of Directors and the Desjardins Group Management Committee;
   (b) Ensuring that the Board fulfils its responsibilities. In addition, the Senior Executive Vice-President and Chief Operating Officer is responsible for developing or overseeing Board of Directors and committee and commission meeting agendas.
8. Only independent directors serve on the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group.
9. 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 2017 Board meeting attendance of each director of the Federation on page 197 of the Annual Report is incorporated herein by reference.

MANDATE OF THE BOARD OF DIRECTORS

Under the AFSC, the Board of Directors exercises all the powers of the Federation, except those that it delegates from time to time to its commissions and committees. The Board's responsibilities include the following:

Organizational culture

The Board of Directors is responsible for promoting the organizational 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 intercooperation. The Board of Directors is also responsible for enforcing the *Desjardins Code of Professional Conduct* among officers, management, employees and elected officers.

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, taking risks into account, that caisses and business sectors strategic directions and plans are integrated and business development strategies are coherent.

Identification and management of key risks

The Board of Directors identifies the key 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, who ensures management continuity by adopting a transition plan on the departure of the President and Chief Executive Officer.

Integrity of internal control and management information 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 communication directions

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.

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. 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, 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 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;
- appoints the Chief Monitoring Officer of Desjardins Group in charge of inspections and other individuals reporting directly to the President and Chief Executive Officer of Desjardins Group. When appointing the Chief Monitoring Officer, the President and Chief Executive Officer must obtain a recommendation from the members of the Board of Ethics and Professional Conduct. In addition, if the Chief Monitoring Officer is to be dismissed, the President and Chief Executive Officer must seek the opinion of the Board of Ethics and Professional Conduct of the Federation and approval from the AMF; 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-law specifies 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 law or by virtue of the by-law 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, and to no other committee or commission. The Executive Committee has all the powers of the Board of Directors, except those that the Board expressly reserves for itself. Specifically, it supports the Board of Directors in its guidance, planning and monitoring responsibilities through the following mandate:

- reviews and submits to the Board the Federation's orientations and budget priorities, from the perspective of Desjardins Group, in relation to strategic planning, analyzes the budget and makes a recommendation for adoption by the Board of Directors. Carries out quarterly follow-ups;
- reviews and submits to the Board the orientations and objectives set out in Desjardins Group's financial plan, including the caisse network business plan;
- approves all financial commitments in excess of the limits established by management, in accordance with policy. For this purpose, reviews all projects potentially requiring detailed analysis, including projects and transactions with a strategic and financial impact, and submits a recommendation to the Board of Directors when the nature and size of the project or transaction so requires. Performs follow-ups of the main strategic initiatives and promising projects;
- ensures follow-up of important litigation proceedings within Desjardins Group;
- admits caisses as members of the Federation and makes recommendations for exclusion;
- takes action as needed to address situations that are not in keeping with the sound and prudent management of Desjardins Group and that expose Desjardins Group to risk. Such situations may or may not arise from non-compliance with the standards applicable to the caisses. In formulating a response, the Executive Committee must adhere to the analysis and decision-making process adopted by the Board of Directors. This responsibility includes, in particular, dealing with internal competition situations in cooperation with the authorities in the caisses in accordance with the implemented dispute settlement process within Desjardins Group;
- approves requests for contributions to the Community Development Fund and any other commitment that departs from the policy on donations and sponsorships;
- approves, upon recommendation of the Human Resources Commission, requests arising from the application of human resources standards explicitly provided for such purpose;
- approves briefs intended for government authorities, when relevant and practicable;
- determines the provincial, national and international bodies in which Desjardins Group must be present taking into account the contribution made by such participation to the strategic directions of Desjardins Group as well as budgetary considerations;
- approves honorary member appointments at the regional level and candidates for the *Ordre du Mérite coopératif et mutualiste* (Quebec and Canada);
- approves appointments of officers, senior executives and employees of Desjardins Group to positions in external organizations;
- reviews its own performance every two years and makes recommendations to the Board of Directors.

ORIENTATION AND CONTINUING TRAINING

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

The Federation offers its directors orientation sessions and continuing training, 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

All new directors attend an onboarding session that involves meeting with certain members of management and receiving a reference manual containing all the critical information they need to carry out their duties.

As needed and upon request, meetings with specialists from the Federation and Desjardins Trust Inc. are also organized to help directors increase their general knowledge of the organization and of its main strategic projects. The training program for Board members falls under the activities of the Desjardins Cooperative Institute, a training institute created for the managers, employees and elected officers of Desjardins Group.

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 intercooperation. The Board of Directors is also responsible for enforcing the Code among members of the Board of Directors, officers, management, employees and elected officers.

Pursuant to the AFSC, the Federation has a Board of Ethics and Professional Conduct that is independent of the Board of Directors and whose eight members are elected officers of Desjardins Group. The role of this Board is to adopt the rules of ethics and professional conduct applicable to Desjardins Group officers and the employees of the Federation and the caisses, ensure development of these rules, present them to the Board of Directors for approval and see 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, officers, including executive officers, 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 fail 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 officers 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

Taking into account the cooperative structure of the Federation and the principle of delegation which prevails within the organization, the Federation's Board of Directors is composed of persons elected by the delegates of the caisses who, at regional or group caisse meetings, directly elect 17 of the 22 Board of Directors members. These persons chair the regional councils and the council of group caisses. Thus, it is the caisse delegates who must choose, from among those interested, the candidates most capable of taking on two roles, namely, that of a director of the Federation and Desjardins Group and that of a regional representative. Before nominations are accepted, candidates are reminded of the responsibilities and requirements of the position of president of a regional council or council of group caisses.

The other five members of the Board of Directors are the President and Chief Executive Officer of Desjardins Group and four caisse general managers elected pursuant to the by-law.

Because they are, at the same time, officers of a caisse, members of their regional council and, finally, members of the Federation's Board of Directors, the Federation benefits from having directors with thorough knowledge of the Federation's activities but who are nonetheless independent of management. This in-depth knowledge of the organization's activities is an important advantage resulting from the Federation's democratic structure.

Information on the representation of the Board of Directors and the appointment of executive officers on pages 183-184 and 194 of the Annual Report is incorporated herein by reference.

COMPENSATION

The Board of Directors reviews, when it deems appropriate, and at least every three years, its policy on the remuneration of its directors, members of the Board of Professional Conduct and members of its regional councils and the council of group caisses. The Board receives recommendations from its Corporate Governance Commission, which follows 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.

Desjardins Group's directors' compensation policy includes principles guiding the establishment of compensation for elected officers of caisses and of the Federation as well as subsidiary directors. A governance mechanism allows the Board of Directors of the Federation to hold a "say on pay" vote at the general meeting on compensation guidelines for Desjardins Group personnel, 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 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 that the latter reserves for itself or assigns to another committee or commission.

Cooperation and Network Liaison Commission (seven directors)

This commission ensures compliance with the cooperative identity of Desjardins Group as well as the realization of its core values. It also oversees the application of the organization's cooperative difference. It submits recommendations to the Board of Directors as needed.

Risk Management Commission (six directors)

This commission assists the Board of Directors in establishing and tracking major risks likely to affect the Federation and Desjardins Group. Louis Babineau, Benoît Bélanger, Claudia Champagne and Sonia Gauthier serve on this commission as observers.

Human Resources Commission (five directors)

This commission assists the Board of Directors on all matters relating to the Group's policies and management of risk related to human resources and overall compensation, the creation and development of the integration plan, along with the skill development of the general managers, managers and employees, the succession plan, including the profile design and development for general managers and employees, and annual salary recommendations, including incentive plans, group insurance plans, syndicate relations, and management structure.

Corporate Governance Commission (five directors)

This commission supports the Board of Directors in applying and updating the corporate governance program. It also oversees the process for recommending candidates from the caisse network for seats on the Boards of directors of Desjardins Group's subsidiaries. It is also responsible for supervising the performance review program for members of the Board of Directors and its commissions and committees as well as for implementing the Sustainable Development Policy and the Voting Rights Policy.

Desjardins Group Investment Commission (six directors)

This commission is mandated to support the Board of Directors in establishing and monitoring the investment policies of Desjardins Funds and in overseeing the selection of securities advisors and sub-advisors. It also examines fund performance and discretionary management and ensures compliance of the investment fund transactions. Henry Jr. Klecan and Normand Provost serve on this commission as observers.

Audit and Inspection Commission (five directors)

For more information on the Audit and Inspection Commission, please see "Audit Committee Information" in this Annual Information Form.

EVALUATION

The Board of Directors and its commissions and committees evaluate their performance every two years. A two-year action plan arising from this process is then recommended to the Board by the Corporate Governance Commission, which ensures a follow-up thereon.

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. The President conducts these meetings on a regular basis throughout the year.

Further, based on the recommendation of the members of the Governance Commission and in accordance with the AMF Guideline Governing Integrity and Competency Criteria, the Board of Directors carries out a members' skill self-assessment process. Each director completes a self-assessment scorecard designed for this purpose. The scorecard results are compiled and used to select development activities and for the design of a skills matrix. This matrix consists of sixteen skill areas generally expected from members of the Board of a financial institution. It has been adapted given the cooperative nature of the Group. The table presenting these sixteen areas along with each director's recognized expertise which can be found on page 186 of the Annual Report is incorporated herein by reference.

Assuming that the members of the Board of Directors have the basic knowledge and skills required to fulfil their duties as directors of the Federation based on their involvement within the democratic structure at the local, regional and Group levels and their experience in the regard, the matrix aims to highlight the particular strengths of each based on their career paths and personal experience. It demonstrates that collectively they have extensive experience and complementary skills, allowing them to make an active and informed contribution to the governance of the Group. This voluntary disclosure is changing and represents an evaluation criterion guiding the skill development of Board members. The Chair and Vice-Chair of the Board weight these self-assessments.

Finally, every year, the Board reviews the mandates of its commissions and committees and related processes to ensure they will support the Board effectively. The Board also regularly reviews the membership rules for its commissions and committees as well as the rules for appointing chairs for the subsidiaries, commissions and committees. Overall, the Chair of the Board is responsible for the evaluation process, and the Corporate Governance Commission oversees it.

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

Additional information on the Federation's governance on pages 179-199 of the Annual Report is incorporated herein by reference.

SCHEDULES

SCHEDULE A

Rating categories by credit rating agency

Credit rating agency	Rating	Outlook
DBRS	• 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.	• A negative outlook indicates that a rating is more likely to change in the medium term.
Standard & Poor’s	• “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.	• A stable outlook indicates that a rating is not likely to change.
Moody’s	• 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.	• A negative outlook indicates that a rating is more likely to change in the medium term.
Fitch	• 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.	• A stable outlook indicates that a rating is not likely to change.

SCHEDULE B

Desjardins Group

Audit and Inspection Commission Charter

Approved by the Board of Directors at its meeting of November 10, 2017

subsequent to the recommendation of the Audit and Inspection Commission on November 8, 2017

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1. THE 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"
- Reviews the Federation's press releases and Annual Information Forms
- Reviews the combined 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 related to the financial reporting process
- Oversees the monitoring and external audit processes
- Oversees compliance management
- Reviews any other element entrusted by the Board
- Comments on the mandate of the finance team, within the scope of the Commission's responsibilities

The Commission also ensures the independence and objectivity of the independent auditors, the Chief Monitoring Officer of the Desjardins Group Monitoring Office (DGMO) and the Chief Compliance Officer, Desjardins Group.

Furthermore, the Commission encourages an environment conducive to transparent discussions between senior management, the independent auditor and the Chief Monitoring Officer of Desjardins Group. The Commission ensures that it understands the external audit strategies and the monitoring activities of the Desjardins Group Monitoring Office, and it takes into consideration the main audit and monitoring risks. The Commission monitors the work of the independent auditor and the Chief Monitoring Officer and evaluates their effectiveness.

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[1] *References to "the financial statements and management's discussion and analysis of the Federation" mean the interim and annual consolidated financial statements and management's discussion and analysis and the unconsolidated annual report of the Federation.*

This Charter details the Commission's operations to fulfill the mandate entrusted to it by the Board. It complies with the regulatory requirements for a reporting issuer, as set out in Regulation 52-110. Desjardins Group has elected to be governed by those requirements to the same extent as a reporting issuer. The Federation, however, is a reporting issuer. 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.

2. OPERATING PRINCIPLES

The Commission assumes its responsibilities guided by the following principles:

2.1 Rigour and Compliance with Controls

The Committee expects management to act in accordance with the Desjardins Group Code of Professional Conduct, the legislation and regulations that apply to Desjardins Group and the Federation, and the principles of sound governance, and adopt a rigorous approach to compliance, financial disclosure and oversight.

2.2 Communications

Through the Commission Chair, Commission members expect to have direct access to management, employees, the chairs of the other committees or commissions, the independent auditor, the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, the Chief Monitoring Officer, Desjardins Group, and the Chief Compliance Officer, Desjardins Group. Commission members also ensure an environment 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*, and 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 reading the financial statements of the Federation and Desjardins Group.

2.4 Findings and Information Needs

The Committee communicates its concerns to senior management, the independent auditor and the Chief Monitoring Officer, Desjardins Group according to the responsibilities of each.

2.5 External Resources

In addition to any assistance it may receive from the independent auditor and the DGMO in performing its duties, the Commission may engage external resources with specialized expertise at the expense of the Federation.

2.6 Reports to the Board and General Assembly

After each meeting, the Commission Chair submits a written report at the next Board meeting. Each year, the Commission Chair drafts an activity report to the Board and the General Meeting for inclusion 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, 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 reports any significant or potentially significant event to the Commission. The independent auditor may call meetings of the Commission and must be given notice of all Commission meetings.

2.9 Oversight of the Desjardins Group Monitoring Office (DGMO)

The Commission expects the DGMO to provide independent and objective assurance of the design and effectiveness of governance and risk management processes and internal controls as well as their appropriateness to the activities of Desjardins Group.

2.10 Risk Management

Under its financial reporting oversight responsibilities, the Commission monitors financial risks and the related internal controls, consistently with the work of the Risk Management Commission.

2.11 Compliance

The Commission expects the Chief Compliance Officer, Desjardins Group to provide assurance as to the degree of control over regulatory compliance and to express an opinion on the application 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.

3. OPERATIONS

The Commission's operating principles comprise the following:

3.1 Composition

- The Commission is composed of five members appointed by the Board, including the Chair. All Commission members must be independent, in accordance

with Regulation 52-110. They must be free from any relationship or interest that might interfere with the exercise of their independent judgment

- The Commission Chair is designated in accordance with the Policy on the Composition of Commissions and Committees. He shall not be the Chair of the Board or of any other committee that reports to the Board.
- 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, to ensure continuity, it is preferable that all members not be replaced in the same year
- The Commission Secretary is a person appointed by the Commission but who is not a member of the Commission.
- The Chief Monitoring Officer of Desjardins Group and the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group jointly assume functional leadership of the Commission.

3.2 Core Member Qualifications

These mainly include:

- Financial literacy which can be acquired within a reasonable timeframe after the member's appointment
- Business experience, relevant specialized qualifications, sound judgment and pragmatism
- Objectivity, integrity and independent thought
- Ability to exercise diligence
- Familiarity with the activities of Desjardins Group and the industry

When selecting members of the Commission, the Board prefers individuals with experience in audit, financial reporting, accounting, risk management and actuarial practices.

3.3 Development

3.3.1 The Commission must offer new members an information or orientation session 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, and requirements of regulators and compliance policies.

3.3.2 Members shall be responsible for enquiring about new practices that are likely to influence the Commission's role and responsibilities in order to propose that the Board make any necessary changes to redefine its mandate.

3.3.3 Members must receive information periodically on new accounting standards and recommendations issued by the Accounting Standards Board, and regulators, or international practices and their repercussions on the entity if the impact is significant. They are to receive information periodically, where available, on sound practices regarding compliance policies and the internal control environment.

3.4 Meetings: Frequency, Participation and Compensation

3.4.1 Statutory meetings are to be determined at the beginning of the year, in accordance with a schedule approved by the Board, and must be held at least once quarterly. When necessary, other meetings may be added in the course of the year. Commission members receive compensation for their services as determined in accordance with 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, 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

Other attendees:

- The Commission may invite any individual whatsoever from Desjardins Group to attend all or part of Commission meetings, as it deems necessary or desirable

The quorum for any meeting shall be a majority of members. However, if a quorum is no longer present due to a requirement for one or several members to leave the meeting, quorum shall be reduced to the number of voting members present for the duration of deliberations on that issue;

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 carries out annual planning of its activities, including:

- Annual activity plan of the Commission
- Update of the Commission's charter
- Review of the organizational chart of Desjardins Group to assess whether any changes to the Commission's activities are necessary
- Confirmation of Commission members' independence
- Assessment of Commission members' financial literacy
- Planning for member training on accounting, regulatory developments and other relevant matters
- Setting of the annual Commission meeting schedule

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

3.4.4. The Commission records the content of each of its meetings in minutes.

4. DUTIES AND RESPONSIBILITIES

The Commission has the following duties and responsibilities:

4.1 Financial Information

The Commission shall review, and recommend that the Board approve, 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. The Commission shall ensure the quality and integrity of the presentation and reporting of financial information in accordance with IFRS, and the use of adequate accounting practices.

4.1.1 Quarterly and annually:

- Determine whether the financial statements, including schedules thereto, if any, and the management's discussion and analysis present fairly the Company's financial position and its results and activities for the period
- Assess the financial statements' compliance with and application of IFRS
- Assess whether management uses the appropriate accounting practices, applied consistently, and obtain the opinion of the independent auditor thereon
- Verify whether accounting practices are comparable to those used in the industry or other Desjardins Group entities
- Review, with management and the independent auditor, the effects of adopting new accounting policies
- Review with management the significant decisions made in 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 (management representation letter)
- Review and revise the processes regarding financial certification, 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 are to be included in the annual and interim public filings of Desjardins Group and the Federation in compliance with Regulation 52-109
- Pay close attention to complex or unusual transactions, particularly acquisitions, discontinued operations and related party transactions
- Review, specifically, issues requiring subjectivity, such as the assessment of assets and liabilities, provisions/reserves (including tax provisions) or other commitments
- Review litigations and determine whether they are sufficiently provisioned
- Ensure that materiality is adhered to
- Ensure that the regulatory ratios are met and that the balance sheet is balanced, as well as the Company's liquidity and funding capacity indicators

- Review the press releases of significant financial information as well as any other significant financial reporting, including the “Supplemental Financial Information” report
- Review the quarterly and annual certification 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
- Meet privately 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 releases and “Supplemental Financial Information”

4.1.2 Annually, the Commission must:

- Review and recommend to the Board for approbation the Federation’s Annual Information Form including the information set out in Form 52-110F1 “Audit Committee Information Required in an AIF”
- Review and recommend to the Board for approbation the Federation’s unconsolidated annual report
- Enforce and update, as needed, and recommend to the Board that it approve Desjardins Group’s material financial information reporting policy
- Ensure that appropriate procedures are in place to review public financial reporting of financial information extracted or derived from the financial statements other than reporting in the documents stipulated in section 4.1 and periodically reassess 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 Review prospectuses before their publication on issuance of securities and review program renewals.

4.2 Internal Controls

The Commission shall ensure that management has designed and implemented an effective internal control system with regard to financial reporting, safekeeping of assets, detection of fraud and compliance.

4.2.1 Direct management to design, implement and maintain internal control procedures, including the controls for the prevention, identification and detection of fraud and assess the effectiveness thereof.

4.2.2 Review the actions of Management following recommendations made by the independent auditor and the Chief Monitoring Officer of Desjardins Group regarding internal controls.

4.2.3 Receive from Management, the independent auditor, the Chief Monitoring Officer of Desjardins Group, the Vice-President, Finance Division, as well as from other units, the

regular reports on major control deviations or the detection of fraud, including those involving management, and how such shortcomings have been corrected.

4.2.4 Obtain an annual evaluation of the effectiveness of its internal control system and procedures including the audit strategy for outsourced services, as well as the audit results.

4.2.5 Review fraud detection and prevention programs and policies.

4.2.6 Ensure procedures are in place for the receipt, retention and treatment of complaints received regarding accounting, internal controls or audit matters and that reporting is received thereon.

4.2.7 Ensure procedures are in place for the confidential and anonymous submission by employees of questionable accounting or audit matters and that reporting is received thereon.

4.3 Risk Management

4.3.1 Work closely with the Risk Management Commission to ensure that the major financial risk exposures are appropriately managed, and controlled. Discuss the steps taken to manage and report on such exposures.

4.3.2 Obtain an opinion from the independent auditor and the Chief Monitoring Officer of Desjardins Group regarding 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 have and apply a compliance management framework that provides the Chief Compliance Officer of Desjardins Group with reasonable assurance that regulations are adhered to and regulatory risks are effectively managed.

4.4.1 Ensure and maintain the independence of the Chief Compliance Officer of Desjardins Group.

4.4.2 Examine the Chief Compliance Officer's reports in connection with compliance management, the anti-money laundering and anti-terrorist financing policy 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 appropriately discharge the responsibilities of that office in respect of Desjardins Group and the Federation.

4.4.4 Examine the DGMO reports on compliance management and on the application and effectiveness of compliance management mechanisms. Ensure that appropriate follow-up is carried out.

4.4.5 Receive the quarterly and annual reports of the Chief Compliance Officer of Desjardins Group.

4.4.6 Meet in camera annually and as needed with the Chief Compliance Officer of Desjardins Group.

4.5 Regulators

4.5.1 Examine and follow up on relevant correspondence regarding requests or investigations pertaining to internal controls and all other relevant reports issued by supervisors regarding Desjardins Group and its entities and within the Commission's purview.

4.5.2 Examine the regulatory filings deemed relevant and within the Commission's purview and ensure that the requirements for said filings are met.

4.6 External Audit

The independent auditor is directly accountable to the Commission. The Commission is directly responsible for monitoring the work of the independent auditor engaged to prepare or deliver the annual and quarterly audit reports and interim review reports or provide other audit, review or attest 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, it must:

4.6.1 Ensure and maintain the independence and objectivity of the independent auditor by:

4.6.1.1 Recommending that the Board approve its appointment and reappointment and taking part in the selection committee under a request for proposals ratified by the Board, in accordance with the Institutional Policy "Independent Auditors of Desjardins Group".

4.6.1.2 Establishing and recommending its compensation to the Board.

4.6.1.3 Issuing prior approval of all non-audit services provided to Desjardins Group, the Federation and their subsidiaries in accordance with the Institutional Policy "Independent Auditors of Desjardins Group".

4.6.1.4 Recommending policies to the Board and adopting specific procedures governing the procurement of non-audit services.

4.6.1.5 Making sure management complies with the policy or supply rules in effect with regard to awarding service contracts to its independent auditor.

4.6.1.6 Receiving a detailed quarterly list of the new engagements awarded by entity.

4.6.1.7 Having direct communication access.

4.6.1.8 Reviewing and recommending for Board approval the hiring policies in connection with the current or former partners and employees of the current or former independent auditor, as set out in the Institutional Policy "Independent Auditors of Desjardins Group".

4.6.1.9 Overseeing the rotation of the engagement, concurring and other audit partners.

4.6.1.10 Reviewing and discussing with the auditor its internal independence policies and procedures.

4.6.1.11 Receiving a written confirmation of independence once a year from the independent auditor, 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 Desjardins Group and its related parties and which, in their professional judgment, may reasonably be thought to bear on the independent auditor's independence.

4.6.2 Approve the scope of the annual audit plan and proposed approach.

4.6.3 Review materiality annually based on audit risks.

4.6.4 Examine their post-audit report and comment on such items as audit highlights, the summary of audit differences (corrected or not), the quality of the accounting principles applied and work on fraud.

4.6.5 Ensure compliance with accounting and actuarial practices and ensure that such practices are conservative and appropriate.

4.6.6 Examine and ensure follow-up on the management letter or any other report addressed to management.

4.6.7 Question the coordination of its work with the work carried out by the Chief Monitoring Officer of Desjardins Group, and the use made thereof.

4.6.8 Once each year, discuss with the independent auditor its internal quality control procedures and the summary of its Canadian Public Accountability Board (CPAB) inspection results.

4.6.9 Discuss the recognition and presentation of certain transactions, estimates, decisions and assumptions of management.

4.6.10 Resolve disputes between management and the independent auditor in connection with financial reporting, as applicable.

4.6.11 Meet in camera quarterly with the independent auditor.

4.7 Finance Team

To that end, the Commission may:

4.7.1 Where deemed necessary, address commentaries to the Senior Executive Vice-President and Chief Operating Officer of Desjardins Group regarding execution of the mandate of the Executive Vice-President Finance, Treasury, Administration and Chief Financial Officer, Desjardins Group 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 with oversight of the Chief Monitoring Officer of Desjardins Group function.

The Chief Monitoring Officer of Desjardins Group receives his or her oversight mandate pursuant to the Act[1] in respect of the caisse network and from the Commission and the audit commissions/committees in respect of the subsidiaries.

[1] *Act respecting financial services cooperatives* (R.S.Q., c. C-67.3)

The responsibilities of the Monitoring function are defined by the Commission and the subsidiaries' audit commissions/committees in connection with their respective oversight roles.

The Commission approves the appointment, reappointment and removal decisions of the Chief Monitoring Officer of Desjardins Group as head of the Monitoring function. The chairs of the subsidiaries' audit commissions/committees are involved in the approvals.

The Commission and the subsidiaries' audit commissions/committees contribute to the assessment of the performance and effectiveness of the Monitoring function.

As prescribed by the Act, the Federation is required to establish and maintain an oversight function to monitor the caisses. One of the main purposes of periodic caisse oversight is to assess the policies and practices of the caisses as well as their internal control systems and their compliance with the applicable laws, regulations, standards and written instructions.

Under the Act and prevailing frameworks, the Commission must:

5.1 Ensure and maintain the independence and objectivity of the Chief Monitoring Officer of Desjardins Group.

5.2 Understand the strategies used to develop the DGMO's annual oversight plan.

5.3 Ensure that the annual oversight plan focuses on the main risks of the organization.

5.4 Approve the DGMO's annual oversight plan, as well as any subsequent amendments made thereto (including oversight of the caisse network).

5.5 Ensure the execution of the DGMO's annual oversight plan and receive, on a quarterly basis, an adequate account of the work performed.

5.6 Follow up on previous recommendations, findings and measures taken by management.

5.7 Ensure that the Chief Monitoring Officer of Desjardins Group:

- Discloses to it any significant outsourcing agreement with external providers subject to the requirements of Group policy on operational risk and its related framework.
- Certifies to it that he or she has caused DGMO agreements with external providers to be carried out in compliance with the following frameworks:
  - Desjardins Group's directive on the management of risks related to outsourcing;
  - the DGMO external provider contract monitoring process.

5.8 Recommend that the Board approve the DGMO's Oversight Framework (which also serves as the Desjardins Group Internal Audit Charter).

5.9 Coordinate its work with the independent auditor.

5.10 Resolve any disputes between management and the Chief Monitoring Officer of Desjardins Group and review any difficulties identified during its work, while ensuring it has the necessary resources and sufficient access to information to properly discharge its responsibilities.

5.11 Meet in camera quarterly with the Chief Monitoring Officer of Desjardins Group.

5.12 Recommend that the Board adopt the DGMO's Annual Oversight Report.

5.13 In respect of the caisse network:

5.13.1 Review the DGMO's reports on the condition of the caisse network and make recommendations, as necessary, to the Board.

5.13.2 Review special cases brought to its attention including, in particular, oversight reports with adjustments by the DGMO and ensure the appropriate follow-ups are carried out.

5.13.3 Issue, as needed, its opinion on the caisse network oversight guidelines, receive a report and ensure that the appropriate follow-ups are carried out.

SCHEDULE C

Title	**Independent auditors of Desjardins Group**
Type	Desjardins Group financial policy

1. STATEMENT

This policy has the following five purposes:

a) It sets out the administrative rules determining selection of independent auditors for Desjardins Group, the Fédération *des caisses Desjardins du Québec* (Federation), the components and investment funds, excluding Desjardins caisses in Quebec and those of the *Fédération des caisses populaires de l'Ontario*, and recommending their appointment to decision-making bodies.

b) 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.

c) The Audit and Inspection Commission (AIC) approves and recommends for approval by the BoD the appointment of the independent auditors and the independent auditors' fees for audit and non-audit services.

d) 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.

e) 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 objectives:

a) 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.

b) 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.

c) Implement a procedure for preapproval by the AIC of fees for services provided by the independent auditor.

d) Implement a procedure for delegation by the AIC of preapproval authorizations for non-audit services.

e) 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
- ✓ 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 referred to the AIC, who will make a recommendation to the BoD to appoint an independent auditor.

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 Board of Directors of the components or the investment funds upon a recommendation of the AIC or 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 external 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 and the combined financial statements of Desjardins Group, 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 services include:

- ✓ 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:

> (1) The AIC shall supervise and preapprove all audit services performed by the independent auditor of the consolidated financial statements of the Federation and the combined financial statements of Desjardins Group.
>
> (2) The AIC shall supervise and preapprove all audit-related services provided by the independent auditor of the consolidated financial statements of the Federation and the combined financial statements of Desjardins Group to the components of Desjardins Group.
>
> (3) 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.
>
> (4) The AIC shall preapprove all non-audit services that the independent auditor of the consolidated financial statements of the Federation and the financial statements of Desjardins Group (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 and, if applicable, quarterly recurring audit engagement (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.

4.3.3.7. Management of each component of Desjardins Group shall be responsible for submitting to the responsible AC, on a quarterly basis, a list of the contracts awarded to other accounting firms not contemplated by the guidelines set out herein.

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 and the combined financial statements of Desjardins Group, 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 to the component concerned only.

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 conditions are met:

- ✓ Does not exercise significant influence over the independent auditor's financial activities and directives.
- ✓ Does not have any debt payable to the independent auditor.
- ✓ Has not entered into any financial agreement with the independent auditor, other than a financial agreement providing for regular payments under a pension plan.
- ✓ 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 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 VP, 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 three years and shall fall under the purview of the EVP, 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.