

GOVERNANCE THAT BENEFITS OUR MEMBERS

As a cooperative financial group, Desjardins Group is motivated to deliver strong financial results in order to continue the economic and social mission we gave ourselves more than 112 years ago. In addition to that mission—whose ultimate goal is to meet the needs of our members and clients and support sustainable prosperity in their communities—Desjardins Group also places a high value on education and democratic participation. We have more than 5,600 officers who devote their time, energy and creativity to improving and extending the reach of their caisses and of Desjardins in their communities. And after the success of the 2012 International Year of Cooperatives, we are now, more than ever, committed to growing the cooperative model, with the support of our members, elected officers, employees and managers, who are all stakeholders in our governance.

At Desjardins, our governance is an important part of how we carry out our mission, to ensure we operate in compliance with regulatory requirements and our own social responsibility objectives. We take a continuous improvement approach to our governance program and work to ensure it remains consistent with our cooperative nature.

There have recently been some major developments in our governance. A committee was formed, independent of the Board of Directors, composed of elected officers representing all the regions in Quebec, as well as Ontario. In 2012, this committee submitted its final recommendations on the updating of Desjardins Group's cooperative governance practices. This process will have a considerable impact, not only on our officers but on Desjardins Group as a whole. Namely, it will:

- Renew and strengthen the foundations of Desjardins Group's democratic and participative activities
- Promote and expand the role of our officers as central players in our democratic and participative processes, thereby increasing their contributions and broadening their influence
- Promote Desjardins-wide focus and action to establish collective accountability for Desjardins's overall performance as a cooperative group

The decisions resulting from these recommendations will be overseen by the Officer Leadership Project, which was approved by the Board of Directors. The project team has identified a number of areas for improvement and has begun implementing initiatives, some of which will require amendments to our by-laws. The *Fédération des caisses Desjardins du Québec* (the Federation) has scheduled a Special General Meeting for a vote to be held on these amendments, and a Congress of Elected Officers is also planned where fundamental governance issues will be put to a vote—what better examples of the highly democratic nature of our cooperative group.

HIGHLIGHTS

The following additional governance-related issues were addressed by Desjardins Group's decision-making bodies in 2012:

- The committee responsible for the election of the Desjardins Group president issued its report on the 2012 election.
- The Board of Directors held a symposium to define Desjardins Group's strategic goals and to discuss the key priorities for the 2013–2016 Strategic Plan, which was adopted in January 2013.
- In developing the strategic plan, a special effort was made to consult the regions and to ensure the involvement of the chairs of the boards of directors and boards of supervision, caisse general managers, and business centre managers.
- The priorities and strategies of all the support functions were reviewed to ensure consistency with the business sectors' strategies and Desjardins Group's strategic priorities.
- A new Desjardins Group code of ethics was adopted and will be introduced in the first half of 2013.
- The members of the Board of Directors agreed to introduce peer evaluations as a way to improve their self-assessment program and ensure effective and responsible governance.
- The Board of Directors formally defined the duties of the Vice-Chair of the Board, which now include the responsibilities of lead director, in consideration of the mechanisms in place to ensure the Board remains independent from management.
- A new governance mechanism for determining compensation of Desjardins Group staff, including executives, was approved and will be introduced following the Federation's Annual General Meeting in the spring of 2013, at which time delegates will hold an advisory vote on the issue.
- Satisfaction survey programs for individual and business members will be continued. Officer engagement, which is also a concern, will also continue to be measured.
- Work was continued on the 2015 Vision of the Caisse Network program, whose goal is to define a comprehensive vision for the caisse network. The directions that will guide the updating of our caisse governance frameworks were successfully revised.
- The GM Leadership working group was tasked with defining how the role of Desjardins caisse general managers will change in the medium and long term, in response to issues in the caisse network and across Desjardins Group and in consideration of the essential role general managers play in providing support to elected officers on governance matters.
- The mandate and membership of the Desjardins Group Investment Commission were reviewed. The commission will now play a monitoring and supervisory role over the portfolios and will coordinate and follow up on strategies and directions.
- A comprehensive recognition program was adopted, the goal of which is to encourage recognition of human capital at Desjardins and to maintain close relationships between Desjardins and the people who contribute to its governance and management.
- The Board of Directors approved the development of an internal arbitration and mediation program for the caisse network and the subsidiaries.
- Guidelines on membership of the subsidiaries' boards of directors were reviewed, in order to better meet the subsidiaries' specific needs and to ensure that the people appointed as directors match the target profiles.
- Guidelines were adopted on compensation for elected officers and directors of the subsidiaries. Updates to compensation rules will follow in 2013.
- In early 2012, changes were made to the responsibilities of the Senior Executive Vice-President, Desjardins Group and the Federation. On the recommendation of the Desjardins Group President and CEO, the Board changed the title to Senior Executive Vice-President of Desjardins Group and General Manager of the Federation, to clarify and further define the role and responsibilities of the position with regard to the strategic operations and development activities of both the Federation and Desjardins Group. The change also reinforces the independence of the Board of Directors, as it ensures the individual holding the position of Chair of the Board, President and CEO is removed from the day-to-day management of Desjardins Group's activities.

Desjardins Group has a set of standards and policies in place to ensure sound and prudent management of the organization. In 2012, the following policies and policy statements were adopted or revised:

- Desjardins Group Development Fund policy, under which approved projects will be required to reflect Desjardins Group's principles of intercooperation and organization-wide focus
- Desjardins Group policy on financial commitments
- Desjardins Group policy on risk appetite and tolerance
- Desjardins Group policy on compliance
- Desjardins Group policy on liquidity risk management
- Desjardins Group policy on securitization and covered bonds
- Desjardins Group policy on counterparty and issuer risk
- Policy on management of confidential information
- Policy on social media use recommended to the caisses
- Policy on recognition of Desjardins Group's human capital
- Policy on the appointment of Desjardins Group officers, executives and employees to positions with external organizations
- Standard for the departure of caisse general managers and business centre managers
- Charter of the Audit and Inspection Commission

Other governance development initiatives undertaken by Desjardins Group in 2012 are outlined in the following pages.

GOVERNANCE PROGRAM

The purpose of Desjardins Group's corporate governance is to ensure the organization is able to carry out its mission, which is to improve the economic and social well-being of people and communities.

The *Fédération des caisses Desjardins du Québec* (the Federation) oversees the development and application of a Desjardins-wide governance program that takes into account the organization's cooperative model, the complexity of its activities, and the guidelines set by the *Autorité des marchés financiers* (AMF) in Quebec. This program also covers the activities of the Federation, *Caisse centrale Desjardins*, the *Fonds de sécurité Desjardins*, the *Fédération des caisses populaires de l'Ontario Inc.*, the Desjardins subsidiaries and the caisses. As certain subsidiaries are subject to specific regulations, the program draws predominantly on rules established by the Canadian Securities Administrators (CSA) and the Office of the Superintendent of Financial Institutions Canada, as well as on industry best practices.

MANDATE OF THE BOARD OF DIRECTORS

1. ADMINISTRATION OF THE FEDERATION

The Board of Directors assumes explicit responsibility for the sound and prudent administration of the Federation. It ensures that the tools and structures the Federation needs to play its full part within the organization are in place. It regularly reviews its operations, under a continuous improvement approach, and safeguards the assets of Desjardins Group.

The Board fulfils a dual role since its responsibilities apply both to the Federation as a business and to Desjardins Group as a cooperative financial group. The Federation is the organization that guides, plans, coordinates, monitors and controls all Desjardins Group operations. Its organizational structure, which is built around the business sectors and support functions, strengthens its ability to deliver on that role by bringing the Federation and the subsidiaries closer to the caisses and their members. The structure serves to optimize overall performance, streamline the organization and improve financial and risk management.

In accordance with the *Act respecting financial services cooperatives*, the Board exercises all the powers and undertakes all the duties of the Federation, except for those which it occasionally delegates to its commissions and committees. The Board's responsibilities include the following:

a. Culture of integrity

The Board of Directors is responsible for preserving the cooperative nature of Desjardins, which is defined by the cooperative values and principles established by the International Co-operative Alliance, and for promoting its own values: money at the service of human development, democratic action, personal commitment, integrity and rigour in the cooperative enterprise, and solidarity with the community. The Board is also responsible for enforcing Desjardins Group's rules of professional conduct among management, employees and elected officers and for raising their awareness about the organization's values.

The Federation has a Board of Ethics and Professional Conduct that, like the Board of Directors, reports to the Federation's general meeting. A similar relationship exists in the Desjardins caisses, where the body responsible for ethics and professional conduct is called the "board of supervision" in Quebec and the "audit committee" in Ontario. The Board of Ethics and Professional Conduct is responsible for updating the *Desjardins Group Code of Ethics and Professional Conduct* (the Code) and, as needed, issuing advice with regard to ethical or professional conduct and cooperation. There is a support structure in place to enable the Board of Ethics and Professional Conduct to carry out awareness and training activities, in addition to providing advisory services. These are some of the practical measures taken by Desjardins Group to promote its values and to ensure compliance with the Code, which imposes penalties for violations. Desjardins also has a confidential mechanism for reporting violations of the Code and other regulatory frameworks.

The Code, which is available to the public on Desjardins.com as well as on the Federation's intranet portals, requires all individuals who are active within Desjardins to demonstrate ethical conduct that reflects the principles of honesty, transparency, social responsibility and altruism. It applies to all Desjardins components and includes a section on ethics relating to Desjardins Group's mission and values.

b. Strategic and financial planning process

The Board of Directors has an ongoing strategic and financial planning process 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, which helps ensure that the strategic directions and plans of the caisses and the business sectors are integrated and that business development strategies are consistent throughout the organization, all while taking into account potential risks and Desjardins's specific values. A unique trait of Desjardins Group's strategic planning process is that it allows those responsible for the planning exercise to occasionally call on the Congress of Elected Officers to define the key directions for the plan. The Congress is an assembly of more than 1,000 local caisse delegates.

In 2012, the Board of Directors worked to finalize the 2013–2016 Strategic Plan, which was adopted in January 2013. The process involved soliciting contributions from the caisses, Desjardins Group's elected bodies, the business sectors and the subsidiaries. The main aspects of the strategic plan are shared with the elected officers, managers and employees to ensure everyone across the organization stays informed.

Once the strategic and financial plans are adopted, each region and caisse in the cooperative network is responsible for developing its own annual business plan. The Board of Directors plays a supervisory and monitoring role in this process, for which it receives support from the Desjardins Group Management Committee. The Management Committee also produces regular reports so the Board of Directors can monitor the progress of the business plans and make any necessary changes.

The respective boards of directors of *Caisse centrale Desjardins*, Desjardins Financial Security Life Assurance Company, Desjardins General Insurance Group Inc., Desjardins Securities Inc., and Desjardins Trust Inc. each adopt a strategic and financial plan specific to their own sector, which ties in with the overall Desjardins Group plan.

c. Identification and management of main risks

The Board is responsible for identifying the main risks for the Federation and Desjardins Group, setting the risk tolerance thresholds and ensuring that management sets up the required systems for the integrated management of these risks. The Federation is supported in these efforts by Desjardins Group's Risk Management Executive Division. The Federation's Board of Directors, backed by the Risk Management Commission, works in concert with the Audit and Inspection Commission, which is responsible for risks related to the financial disclosure process. The same applies to *Caisse centrale Desjardins* and Desjardins Trust Inc. The Desjardins Group Management Committee also supports the Board of Directors in carrying out this responsibility. The Risk Management Commission holds closed-door meetings which are not attended by management. The Board can also count on the contribution of the Finance and Risk Management Committee, which mainly comprises managers from finance, risk management and compliance, as well as the business sectors.

On the compliance front, a number of procedures have been introduced in recent years to ensure Desjardins Group's operations are fully compliant with all applicable laws, regulations and industry standards. For the first time, in February 2013, the Board held a closed-door meeting with Desjardins Group's Chief Compliance Officer for comments on the 2012 annual compliance report. Moving forward, this procedure will be followed every year.

A detailed presentation of the management principles applied throughout Desjardins Group can be found in the Risk Management section on page 64.

d. Succession planning

The Board of Directors oversees the Desjardins Group Management Succession and Development Program and is supported in this task by the Human Resources Commission (HRC) and Desjardins Group's People and Culture Executive Division. The HRC oversees the program and reports to the Board of Directors, making recommendations if need be. Through the program, the Desjardins Group Management Committee identifies potential successors for key roles and guides their development in line with the organization's business needs, thereby mitigating Desjardins's vulnerability to potential risks.

President and Chief Executive Officer

In accordance with Desjardins Group's cooperative nature, the President and CEO is chosen by a 255-person electoral college made up of representatives from Quebec and Ontario caisses (the members of the councils of representatives), plus the current President and CEO of Desjardins Group. Although the Board of Directors does not appoint the incumbent, it oversees the succession process, in particular by determining the main parameters for the mandate of the Desjardins Group President, who serves a four-year term.

The electoral process is governed by a Federation by-law and the *Desjardins Group Code of Ethics and Professional Conduct*, and it is overseen by an election committee made up of elected officers, independent from the Board of Directors, whose overall responsibility is to establish the rules of the electoral process and the rules of conduct to which the electoral college, candidates, employees and elected officers must adhere. At the end of the 2012 electoral process, which began in March 2011, the current president was re-elected. This will be her second and final four-year term, as there is a two-term limit for the position. The election committee submitted its report on the 2012 election to the Federation Board of Directors.

Senior Executive Vice-President of Desjardins Group and General Manager of the Federation

To reinforce the organization's independence mechanisms, maintain its stability and ensure effective succession planning, the Senior Executive Vice-President of Desjardins Group and General Manager of the Federation is appointed by the Board of Directors. The Board also adopts organizational practices for Desjardins Group's strategic management and the associated macrostructure.

e. Integrity of internal control management reporting systems

The Board of Directors, with the support of its Audit and Inspection Commission, ensures the implementation of effective accounting, administrative and management control systems to safeguard the integrity of its operations and obtain the required reporting information from management. The Board receives support for this responsibility by the Chief Monitoring Officer of Desjardins Group, whose annual work plan is approved by the Audit and Inspection Commission. A rigorous financial governance process is maintained throughout Desjardins Group to ensure adequate support for the Desjardins Group Senior Vice-President of Finance and Chief Financial Officer, who, together with the President and CEO, is responsible for certifying the Combined Financial Statements of Desjardins Group.

Financial governance work was carried out in 2012 so that Desjardins Group's signing officers could certify, as at December 31, 2012, the design and operating effectiveness of disclosure controls and internal controls over financial reporting, in accordance with CSA Regulation 52-109.

In the caisse network, work was done to update the internal controls system, making it more effective, efficient and tailored to the particular needs of the network. This system is also designed to provide decision-making bodies with reasonable assurance that the network is achieving its business objectives, while ensuring compliance with regulatory requirements.

The Board also ensures that the Desjardins Group Management Committee provides the Board and its commissions and committees with information that is reliable, timely and adapted to the particular needs of its directors so that they are able to take advantage of business opportunities and evaluate potential risks. Board members are invited to periodically assess the quality of the documents that support the decision-making process.

Management information is made available to members of management so they can effectively monitor key performance indicators; this benefits the Board as it allows directors to quickly obtain strategic information pertinent to the decision-making process. Improvements are made to management information systems on an ongoing basis.

Board members receive financial and operating reports at least quarterly so they can assess Desjardins Group's situation and the status of the Federation's projects. The Board ensures that appropriate policies and procedures are in place to facilitate the production and presentation of this information.

To effectively carry out its duties, the Federation's Board meets regularly on a pre-established schedule. Board members receive the meeting agenda in advance, along with any relevant documentation, to ensure productive discussions and to facilitate the decision-making process. The Board constantly seeks to increase its efficiency and focus its efforts on strategic issues, for example by delegating certain operational responsibilities to the Desjardins Group Management Committee.

Directors have electronic access to meeting documentation and to the management frameworks for Desjardins Group's operations. Directors also have access to an intranet portal that is purpose-built for them.

f. Communications strategies

The Board of Directors adopts a communications policy and strategic communications directions for Desjardins Group, in line with the Communications Master Plan, that specify actions to be taken and results to be measured. The Federation also draws up internal and external communications plans in order to better manage its relations with the caisses and their members; the business sectors and their clients; its employees; social, community and non-governmental organizations; opinion makers; the public; the media; rating agencies; and government agencies.

The Federation oversees the financial reporting process and the disclosure of any major changes that may affect Desjardins Group's financial position. The Federation uses a variety of mechanisms to communicate effectively with its many stakeholders.

These mechanisms include: the Communications Corporate Division, the Ombudsman, the Cooperative Support Division and Secretariat General's ethics and professional conduct support team, the caisse complaint-handling procedure (*Your Satisfaction Is My Priority*); and, within Desjardins Group: the annual general meetings, the release of Desjardins Group's quarterly financial results, Desjardins publications (including its annual reports, its social and cooperative responsibility reports, the *Desjardins*, *Desjardins and Me*, *Espace D*, *Entreprises* and *Partenaires* magazines, and employee newsletters), its toll-free telephone number, intranet portals, including one designed especially for caisse officers, its website (which includes a "Member Relations" section), the Federation's Member Services Committee, and the procedure for reporting violations of the *Desjardins Group Code of Ethics and Professional Conduct* and other regulatory frameworks.

In addition, the Federation handles relations with international rating and scoring agencies and coordinates Desjardins Group's relationships with all levels of government, in compliance with lobbying legislation.

2. MEMBERSHIP OF THE BOARD OF DIRECTORS

The Federation's Board of Directors is made up of 22 directors, the majority of whom are independent.

The vice-presidents of the Outaouais, Abitibi-Témiscamingue and Nord du Québec Council of Representatives and the Bas-Saint-Laurent and Gaspésie-Îles-de-la-Madeleine Council of Representatives also serve on the Board as managing directors.

Additionally, four management members support the Board by attending its meetings: the Senior Executive Vice-President of Desjardins Group and General Manager of the Federation; the Senior Vice-President of Finance and Chief Financial Officer; the Desjardins Group Executive Vice-President of Cooperative Development and Democratic Governance Support; and the Desjardins Group Secretary General.

3. INDEPENDENT AND NON-INDEPENDENT MEMBERS

There are five non-independent members of the Board of Directors: the President and Chief Executive Officer of Desjardins Group, plus four caisse general managers. The first is not independent because he or she is a member of Federation management, and the other four are not independent because they are employees of cooperatives belonging to Desjardins Group (the caisses). None of these directors has any business or personal relationships with members of the Desjardins Group Management Committee; or any interests which, in the opinion of the Board, could significantly interfere with their ability to act in the best interests of the Federation or Desjardins Group; or any interests of any other nature which, in the opinion of the Board, could reasonably be perceived as harmful.

For guidance in these matters, the Board refers to the provisions of the *Desjardins Group Code of Ethics and Professional Conduct*, which governs the actions of its directors, and to the declaration of interests filed annually by each director. None of the directors sits on another board of directors for any other major company. Generally speaking, they may hold one or two other directorships with non-profit organizations.

The list of directors and their status (independent or non-independent) can be found on page 200.

4. NOMINATION PROCESS

Taking into account the cooperative structure of Desjardins Group and its adherence to the principle of delegation, 17 of the 22 members of the Federation's Board of Directors are directly elected by the delegates of the Federation's member caisses at regional and group caisse meetings. These elected individuals also act as presidents of the councils of representatives.⁽¹⁾

Delegates are therefore responsible for selecting the most qualified individuals from among the interested candidates, keeping in mind that they will play a dual role: to serve as a director of the Federation and Desjardins Group as a whole, and to represent their region or group caisse. Before nominations are accepted, candidates are reminded of the responsibilities and requirements of the position of president of a council of representatives. Because the presidents are, at the same time, caisse officers, members of their councils of representatives, and members of the Federation's Board of Directors, the Board benefits from having directors who have comprehensive knowledge of Desjardins Group's activities and yet who remain independent of management. This in-depth knowledge of the organization's activities is one of the considerable advantages of Desjardins Group's democratic structure.

The presidents of the councils of representatives are also responsible for ensuring, firstly, that their caisses have a full understanding of the strategic directions established by the Board of Directors, and secondly, that the Board takes into consideration the concerns of the caisses. The presidents play an important leadership role in helping to achieve regional objectives and in promoting intercooperation.

Four of the remaining positions on the Board of Directors are filled by caisse general managers, who are chosen at an election held at an Assembly of Representatives of the Federation. The final position is reserved for the President and Chief Executive Officer of Desjardins Group. The presence of four caisse general managers ensures that the directions adopted by the Board accurately reflect the realities of the caisses.

The methods for selecting the members of the Federation's Board of Directors and its President and CEO are designed so that each position is subject to a separate electoral process and a separate electoral college. This approach reinforces the independence of Board members from management.

Furthermore, the rules governing Board membership are designed to ensure stability and continuity in Desjardins Group's corporate governance. Board members have three-year renewable terms, and each year one-third of the Board members are outgoing. These terms give directors enough time to develop their knowledge of Board issues and to actively participate in activities. Membership turnover occurs naturally, at a pace that doesn't impact the Board's overall performance.

The Board's composition is designed to ensure fair geographic representation, with members from all across Quebec, from the group caisses and from the Ontario caisses populaires. Its membership also has a good balance of skills and experience; current members include chartered accountants, legal professionals, managers, professional mediators, management professors in universities, caisse network managers, school teachers and entrepreneurs.

All caisse officers are provided with a guide that outlines all the terms, conditions and processes pertaining to the responsibilities of Federation directors and presidents of council of representatives. The purpose of the guide is to assist those interested in applying for the positions, and to provide guidance for those voting to elect the candidates.

5. PERFORMANCE REVIEWS

The Board of Directors and its commissions and committees conduct an annual review of their performance using quantifiable objectives set by the Board at the beginning of the year. Areas for improvement and areas to be monitored are identified during this review and written into an action plan, which is submitted to the Corporate Governance Commission. The Commission follows up on this report, and gives the Board a mid-year progress report and a full report at year-end. The Federation's review program also calls for self-assessments, followed by individual meetings between each director and the Chair of the Board. In 2012, the Board introduced peer evaluations to the process. Engagement and skills development are also addressed in the process. The Chair of the Board is responsible for the review process, and the entire exercise is monitored by the Corporate Governance Commission.

In 2012, the Board introduced a new practice to make the concept of cooperative difference more concrete and measurable: At the end of every meeting, it reviews all of its decisions and evaluates whether the cooperative difference was taken into consideration. The Board's conclusions are included in its report on the achievement of its objectives.

(1) The councils of representatives are democratic bodies within the Federation. There is a council for each region, one for Ontario, and one for all of the group caisses combined. The role of the councils is: to ensure collaboration between the caisses and the Federation; to influence decisions that affect major priorities and projects by actively participating in consultations; to contribute to identifying regional issues and business development opportunities; to follow up on member satisfaction and Desjardins Group's reputation in the regions; and to provide a corporate presence in the region. The councils of representatives are a vital part of Desjardins's participatory governance system, due to the leadership role their members play within the caisses. They also ensure that concerns raised by the caisses in their region (or the group caisse network) are heard by the Federation.

6. ORIENTATION AND TRAINING PROGRAM FOR NEW DIRECTORS

The Federation organizes orientation sessions for all of its directors, provides ongoing training opportunities, and plans activities tailored to their specific needs.

All new directors attend an orientation session where they meet with members of management and receive a reference manual containing all the information they need to carry out their duties. This manual is also available to all Federation officers on their dedicated intranet site (the Elected Officer Portal). Every director also receives a document reminding them of the expectations and duties that come with the position, and orientation sessions are held for new members of Board commissions and committees.

Upon request, meetings with specialists from the Federation, *Caisse centrale Desjardins* and Desjardins Trust Inc. are organized to help directors increase their general and specialized knowledge of the organization and of its main strategic projects.

The training program for Board members is part of the programming offered by the Desjardins Cooperative Institute (DCI). The DCI is the training institute for Desjardins Group elected officers, managers and employees.

7. SIZE OF THE BOARD

The composition of the Board of Directors is designed to ensure balanced representation of the caisses from across the 17 regions in Quebec, plus those from parts of Ontario and the group caisses. Given the size of the Board, the directors strive to take a disciplined and effective management approach to Board meetings.

Every year, the Board reviews the mandates of its commissions and committees and related processes to ensure they will effectively support the Board. The Board also regularly revises the membership rules for its commissions and committees as well as the rules for appointing chairs for the subsidiaries, commissions and committees.

The Chair of the Board also holds regular informal meetings with the directors, with the aim of making official meetings more efficient. Year after year, the results of the Board's performance evaluation show the importance of these meetings. After each Board, committee or commission meeting, a closed-door session is held, which members of Federation management do not attend, except for the President and CEO (unless his or her recusal is necessary for independence reasons).

8. COMPENSATION POLICY FOR DIRECTORS

The Board annually reviews its policy on the compensation of its directors, members of the Board of Ethics and Professional Conduct, and members of the councils of representatives. The Board receives recommendations from the Corporate Governance Commission, which keeps a close eye on industry developments.

While the policy's compensation rates fall below industry norms, they are fair and take into account: the culture at Desjardins, which values personal commitment; the scope of the duties carried out on behalf of the Federation, *Caisse centrale Desjardins* and Desjardins Trust Inc.; and the requirements and risks inherent to those duties.

In 2012, the members of the Board of Directors adopted new guidelines for the determination of compensation for both elected officers and staff members. They also approved a new governance mechanism, to be implemented in 2013, that will allow delegates of the Federation's annual general meeting to hold an advisory vote on the compensation guidelines for Desjardins Group staff members, including senior management. In 2012, the Board approved a minor increase in compensation rates, which had remained unchanged since January 1, 2008. The President and CEO's compensation is subject to the recommendations of a special Board committee made up entirely of independent directors. The President and CEO does not personally receive any compensation for duties performed as director of any of the aforementioned subsidiaries.

COMPENSATION SCHEDULE FOR MEMBERS OF THE BOARDS OF DIRECTORS OF THE FEDERATION, CAISSE CENTRALE DESJARDINS AND DESJARDINS TRUST INC., AND FOR MEMBERS OF THE BOARDS OF ETHICS AND PROFESSIONAL CONDUCT OF THE FEDERATION AND CAISSE CENTRALE DESJARDINS

	Federation	Caisse centrale Desjardins	Desjardins Trust Inc.	Subsidiaries
	\$0 (as this position is held by the President and CEO of Desjardins Group)	\$20,000 (paid to the Federation, as this position is held by the President and CEO of Desjardins Group)	\$20,000 (paid to the Federation, as this position is held by the President and CEO of Desjardins Group)	\$10,000 (paid to the Chair of the Board of Directors)
Chair of the Board of Directors ⁽¹⁾				
Annual stipend for the chair of a commission or committee ⁽²⁾	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Annual stipend for a member of the Board of Directors ^(3, 4)	\$ 10,667	\$ 10,667	\$ 10,667	\$ 10,000
Annual stipend for a member of a commission or committee of the Board of Directors ⁽⁵⁾	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Attendance fee for Board of Directors meetings ⁽⁶⁾	\$ 1,200 (daily maximum)	\$ 1,200 (daily maximum)	\$ 1,200 (daily maximum)	\$ 1,200 (daily maximum)
Attendance fee for commission or committee meetings ⁽⁶⁾	\$ 600 (per half-day)	\$ 600 (per half-day)	\$ 600 (per half-day)	\$ 600 (per half-day)
Conference calls	\$ 200	\$ 200	\$ 200	\$ 200
Attendance fee for members of the Board of Ethics and Professional Conduct or the Ethics Committee	\$ 2,400 (chair) \$ 1,200 (members)	\$ 2,400 (chair) \$ 1,200 (members)	\$ 2,400 (chair) \$ 1,200 (members)	\$ 600 (per half-day)
Compensation for the president of a council of representatives ⁽³⁾	\$ 15,000	N/A	N/A	N/A
Attendance fee for members of councils of representatives	\$ 300 per meeting	N/A	N/A	N/A

N/A: not applicable

(1) For the subsidiaries, the position of Chair of the Board is held by a member of the Federation's Board of Directors.

(2) For commissions/committees that hold fewer than four meetings per year, the chair's attendance fee is doubled in lieu of the annual stipend.

(3) Federation Board members receive an annual stipend of \$32,000 for their service as directors of the Federation, of *Caisse centrale Desjardins* and of Desjardins Trust Inc. This amount is divided equally between these three entities. The stipend paid to the two managing directors is \$24,800, with an additional \$7,500 paid for serving as vice-presidents of their respective councils of representatives.

(4) For the four caisse general managers who sit on boards of directors: The policy stipulates that it is up to their caisse's board of directors to decide whether or not they may keep 100% of their compensation.

(5) The annual member stipend is paid regardless of the number of commissions or committees the member sits on for the Federation, *Caisse centrale Desjardins* or Desjardins Trust Inc. In other words, a single stipend is paid for all positions held for all three entities. Commission or committee members who are not members of the Board of Directors are paid a stipend of \$5,000.

(6) 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.

COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS

Disclosure of the compensation paid to each member of the Board of Directors for the services provided as directors of the Federation, *Caisse centrale Desjardins* and Desjardins Trust Inc., or as chair of the board of a subsidiary:

Name	Paid by the Federation, <i>Caisse Centrale Desjardins</i> and Desjardins Trust Inc.		Other fees ⁽¹⁾		Total 2012
	Attendance fee	Annual stipend	Attendance fee	Annual stipend	
Baril, Jacques	\$ 35,900	\$ 53,334	\$ 6,900	\$ 8,500	\$ 104,634
Bélanger, Annie P.	\$ 42,400	\$ 34,300	\$ 8,700	\$ 5,000	\$ 90,400
Boudreault, Laurier	\$ 34,000	\$ 34,000	\$ 600	\$ 0	\$ 68,600
Boulerice, Donat	\$ 40,899	\$ 49,000	\$ 3,000	\$ 5,000	\$ 97,899
Chamberland, Serges	\$ 34,700	\$ 60,375	\$ 12,700	\$ 12,000	\$ 119,775
Chevalier, Carole	\$ 31,200	\$ 49,000	\$ 5,100	\$ 8,500	\$ 93,800
Duguay, Denis	\$ 34,500	\$ 49,000	\$ 300	\$ 0	\$ 83,800
Dumas, Alain, FCPA, FCA	\$ 37,400	\$ 38,800	\$ 0	\$ 0	\$ 76,200
Gagné, André, CPA, CGA	\$ 48,400	\$ 62,000	\$ 6,100	\$ 10,750	\$ 127,250
Grant, Norman	\$ 32,800	\$ 57,123	\$ 15,600	\$ 7,000	\$ 112,523
Lafortune, Andrée, FCPA, FCA	\$ 44,601	\$ 73,375	\$ 2,100	\$ 5,750	\$ 125,826
Larouche, Sylvie ⁽²⁾	\$ 27,200	\$ 49,000	\$ 3,000	\$ 3,500	\$ 82,700
Lauzon, Marcel (Chair of the Board, DGIG) ⁽³⁾	\$ 34,800	\$ 49,000	\$ 14,800	\$ 31,208	\$ 129,808
Lemelin, Line	\$ 30,700	\$ 49,000	\$ 7,900	\$ 7,000	\$ 94,600
Leroux, Monique F., C.M., FCPA, FCA ⁽⁴⁾	—	—	—	—	—
Levasseur, Pierre	\$ 46,200	\$ 49,000	\$ 5,000	\$ 5,000	\$ 105,200
Paré, Denis	\$ 46,000	\$ 53,334	\$ 8,300	\$ 6,000	\$ 113,634
Perron, Johanne	\$ 27,400	\$ 34,000	\$ 800	\$ 0	\$ 62,200
Raiche, Alain	\$ 30,200	\$ 34,000	\$ 300	\$ 0	\$ 64,500
Roy, Michel (Chair of the Board, DID) ⁽³⁾	\$ 32,900	\$ 52,792	\$ 3,800	\$ 11,000	\$ 100,492
St-Pierre Babin, Sylvie	\$ 32,367	\$ 34,300	\$ 11,400	\$ 16,825	\$ 94,892
Tourangeau, Serge (Chair of the Board, Desjardins Securities)	\$ 35,000	\$ 49,000	\$ 12,200	\$ 33,375	\$ 129,575
Turcotte, Benoît	\$ 31,600	\$ 52,792	\$ 14,700	\$ 12,000	\$ 111,092
Vinet, Yvon (Chair of the Board, DFS) ⁽³⁾	\$ 41,200	\$ 49,000	\$ 7,800	\$ 11,675	\$ 109,675
Total	\$ 832,367	\$ 1,115,525	\$ 151,100	\$ 200,083	\$ 2,299,075

(1) Amounts received for: Chairing the board of a subsidiary; sitting on the Desjardins Group Retirement Committee (DGRC), the DGRC Investment Committee, or the DGRC Audit, Professional Practices and Compliance Committee; sitting on the Board of Directors of Desjardins Financial Corporation Inc., *Capital Desjardins inc.*, or *Fonds de sécurité Desjardins*; sitting on the Desjardins Cooperative Institute Educational Advisory Committee; contributing to the *Plan Nord* working group, the Co-opme steering committee, the Elected Officer Advisory Board, or the committee working to define the role of the general manager.

(2) Term began in January 2012.

(3) DID = *Développement international Desjardins*; DGIG = Desjardins General Insurance Group Inc.; DFS = Desjardins Financial Security Life Assurance Company.

(4) The Desjardins Group President and CEO does not receive any compensation for the position of Chair of the Board of Directors of the Federation. Compensation for the position of Chair of the Board of both *Caisse Centrale Desjardins* and Desjardins Trust Inc. is paid in full to the Federation.

COMPENSATION PAID TO MEMBERS OF THE FEDERATION BOARD OF ETHICS AND PROFESSIONAL CONDUCT

Name	Attendance fee ⁽⁵⁾
Bélisle, Michel C. ⁽¹⁾	\$ 7,400
Bourgeois, Isabelle	\$ 10,600
Guénette, Michel ⁽²⁾	\$ 3,000
Lee-Gosselin, Hélène ⁽³⁾	\$ 16,400
Perreault, Lise B. ⁽⁴⁾	\$ 3,000
Pichette, Ronald	\$ 8,200
Plourde, Gabriel	\$ 10,800
Sarrazin, Claire	\$ 10,800
Yelle, Michel	\$ 10,800

(1) Michel C. Bélisle began his term on March 29, 2012.

(2) Michel Guénette began his term on August 6, 2012.

(3) Hélène Lee-Gosselin attended two meetings of the Desjardins Group Election Committee.

(4) Lise B. Perreault ended her term on March 21, 2012.

(5) The members of the Board of Ethics and Professional Conduct also attended other meetings and events.

In accordance with the *Act respecting financial services cooperatives*, the total budget for the payment of attendance fees to members of the Board of Directors, the councils of representatives, and the Board of Ethics and Professional Conduct is authorized by the Federation's general meeting. The total compensation budget (annual stipends plus attendance fees) is reported to the general meeting. The general meeting receives a report of changes to the compensation budget from one year to the next. In 2012, the total compensation budget increased to \$2,867,127 after having remained steady at \$2,675,884 in both 2011 and 2010.

9. COMMISSION AND COMMITTEE MEMBERSHIP

The Board forms committees and commissions to support and streamline its various activities (guidance, planning, monitoring and control) and it defines the mandates of these committees and commissions, which are made up entirely or almost entirely of independent members. At the end of each meeting, these commissions and committees hold closed-door sessions which management members do not attend, except for the Chair of the Board, President and CEO (unless his or her recusal is necessary for independence reasons). The membership and mandates of these commissions and committees are reviewed every year.

10. RESPONSIBILITY FOR CORPORATE GOVERNANCE

The Board of Directors mandates the Corporate Governance Commission (CGC) to administer and update the governance program to ensure it keeps pace with industry trends. The CGC reports its observations and recommendations to the Board of Directors. The CGC has no say in selecting the members of the Federation's Board of Directors. It does, however, oversee the selection process for the directors of Desjardins Group subsidiaries. The CGC's meetings are closed-door and not attended by management members, except for the Chair of the Board, President and CEO (unless his or her recusal is necessary for independence reasons). In 2012, the CGC's activities helped to define a common vision for the caisse network and update the directions that will serve to enhance the caisse governance frameworks. The CGC also supported the Board in adopting guidelines on the membership of the subsidiaries' boards of directors.

11. RESPONSIBILITIES OF THE DESJARDINS GROUP MANAGEMENT COMMITTEE

The responsibilities of the President and CEO of Desjardins Group are defined in the Federation's Internal By-laws. The Board has also formally documented the division of responsibilities between itself and the Desjardins Group Management Committee.

a. Setting annual management objectives

President and Chief Executive Officer

The annual objectives of the Desjardins Group President and CEO are recommended to the Board of Directors by the Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group (CAR). The CAR is overseen by the Vice-Chair of the Board of Directors, who acts as lead director, in accordance with established independence standards. The President and CEO is not present for the committee's deliberations.

Senior Executive Vice-President of Desjardins Group and General Manager of the Federation

The annual objectives of the Senior Executive Vice-President of Desjardins Group and General Manager of the Federation are set by the Board of Directors, on the recommendation of the Human Resources Commission (HRC).

Other members of the Desjardins Group Management Committee

The objectives of the other members of the Management Committee are set by the President and CEO during individual performance reviews held with each committee member. Their incentive plan is taken into account.

b. Performance reviews

The Board of Directors has guidelines for setting objectives to ensure incentive plans are effectively managed and equitably applied across all Desjardins components. An annual review process is used to measure the degree to which these objectives are achieved. The performance review of the Desjardins Group President and CEO is overseen by the CAR. Each director participates anonymously using a grid prepared in advance by the CAR, and members of management do not participate in the process.

12. INDEPENDENCE OF THE BOARD OF DIRECTORS FROM THE MANAGEMENT COMMITTEE

There are a number of structures and procedures in place to ensure the Board of Directors' independence from Desjardins Group management.

- There is only one Board member who is also a member of Desjardins Group management: the Chair of the Board, President and CEO of Desjardins Group. To ensure legitimacy and independence, this individual is also an officer elected by the Assembly of Representatives.
- The position of Vice-Chair of the Board of Directors was created by the general meeting. The Vice-Chair presides over the Board's meetings, playing the role of lead director, when the issues being discussed require the recusal of the Chair of the Board. The Internal By-laws specify that the Vice-Chair shall replace the Chair whenever he or she is unable to act.
- The directors hold periodic informal meetings between themselves. The Chair of the Board, President and CEO updates the members of Desjardins Group management, who do not attend these meetings. However, both independent and non-independent directors do attend these meetings, since the matters under discussion do not pose a risk of conflict of interest for non-independent directors.
- Closed-door sessions are held at the end of every Board of Directors and Executive Committee meeting, which members of management do not attend (except for the President and CEO). The same practice applies to Board commission meetings. The Vice-Chair of the Board may be called on to chair these meetings if the matters under discussion require the recusal of the Chair.
- The Audit and Inspection Commission and the Risk Management Commission are chaired by independent directors.
- The Corporate Governance Commission (of which only one member is a non-independent member) is mandated with the following:
 - Managing relations between the Board of Directors and the Desjardins Group Management Committee
 - Ensuring that the Board fulfils its duties (however, the responsibility of drawing up and overseeing meeting agendas for the Board and its commissions/committees falls to the Chair of the Board)
- Only independent directors serve on the Committee on the Aggregate Remuneration of the CAR.

- Effective 2013, the Desjardins Group Management Committee is chaired by the Senior Executive Vice-President of Desjardins Group and General Manager of the Federation. The President and CEO will attend Management Committee meetings to ensure that the directions defined by the Board of Directors are taken into account.
- The members of the HRC and the CAR may call on external consultants, as needed, for issues involving the aggregate compensation of senior management.

The Federation also has a Board of Ethics and Professional Conduct, whose members are elected by the general meeting and are all independent from both management and the Board of Directors.

THE NON-SEPARATION OF THE ROLES OF CHAIR OF THE BOARD AND PRESIDENT AND CHIEF EXECUTIVE OFFICER

At Desjardins Group, the role of Chair of the Board is not separate from the role of President and CEO. This decision was made by the Federation's general meeting and has been integrated into its Internal By-laws. This issue, in addition to other matters related to corporate governance at Desjardins Group, was examined by the Collaboration, Participation and Connection with the Caisse Network project.

Desjardins Group's current position is that non-separation promotes the legitimacy and independence of the President and CEO of Desjardins Group. The main arguments in favour of this position are the following:

- Unlike at other companies, where the President and CEO is appointed by the Board of Directors, the Desjardins President and CEO is elected by an electoral college of 255 Federation member representatives and the current or outgoing President and CEO. The President and CEO's primary responsibility is to protect the interests of Desjardins members. The President and CEO's interests are therefore aligned with those of the members.
- The Chair of the Board, President and CEO of Desjardins Group has no influence over the choice of directors, because he or she cannot recommend candidates and because each director is elected at either a regional or a group caisse general meeting where the Chair, President and CEO has no voting rights, or at an Assembly of Representatives where he or she has only one vote out of 256. The same applies to the selection of the members of the Board of Ethics and Professional Conduct.

- The Board of Directors created the CAR, which is chaired by the Vice-Chair of the Board of Directors and made up entirely of independent directors, to eliminate any risk of conflict of interest with respect to compensation. The CAR's meetings are closed-door, and it also holds working sessions with the Board of Directors, which the Chair does not attend.
- Owing to the complex nature of Desjardins Group's management and activities, and to the expectations of regulators and the general public, it is essential that the Chair of the Board be thoroughly familiar with the activities, business and projects of both the Federation and Desjardins Group in order to effectively act as a leader and uniting force for the elected officers, the management teams of the Desjardins components, and caisse members.
- Desjardins Group's structure is designed to release the President and CEO from the everyday operational concerns of the Federation and Desjardins Group. This enables the President and CEO to focus more on promoting cooperation within Desjardins and in the community; on the organization's growth and key strategic priorities; on governance; and on the engagement of Desjardins Group's elected officers and employees.
- For the same reasons, the Senior Executive Vice-President of Desjardins Group and General Manager of the Federation:
 - Plays a supervisory and coordination role with the business sectors, to promote better unity and synergy between Desjardins Group's various growth and development activities. Each business sector falls under the responsibility of a Senior Vice-President and General Manager.
 - Has a direct reporting relationship over Desjardins Group's major support functions as well as the Cooperative Network Support Executive Division and the Cooperative Development and Democratic Governance Support Corporate Division.

13. AUDIT AND INSPECTION COMMISSION

The Audit and Inspection Commission (AIC), established under the *Act respecting financial services cooperatives*, acts as the audit committee for the Federation's caisse inspection activities. The AIC is composed entirely of independent directors, and the chair has accounting expertise.

The roles and responsibilities of the AIC have been defined to give its members a very clear understanding of their oversight duties. The AIC has all the power and access to all the information it needs to fulfill its mandate. It reviews all financial information, supervises the required reporting activities, and plays a lead role in overseeing financial disclosure controls and assessing their appropriateness. It has the ability to communicate directly with the Desjardins Group Monitoring Office, which is responsible for the internal audit of the Desjardins Group subsidiaries and components, the external audit of the financial statements of the Quebec caisses, and caisse inspections in Quebec and Ontario.⁽²⁾ The AIC is also in contact with the external auditors to discuss and review certain issues, should the need arise. The AIC holds closed-door sessions, which management does not attend.

The AIC ensures the independence of the Desjardins Group internal audit sector and adopts its annual action plan.

14. EXTERNAL CONSULTANTS

A director may retain the services of an external consultant at the Federation's expense. However, to ensure the reasonableness of such contracts, a request must be submitted to the Corporate Governance Commission.

⁽²⁾ The Desjardins Group Monitoring Office provides independent opinions on the caisses' management and financial statements. Consequently, through inspections and audits, it monitors the risks associated with network activities and determines whether these risks are being managed according to sound and prudent management practices and in compliance with legislation, standards and rules of conduct. Moreover, it audits the caisses' financial statements using recognized auditing standards and issues an opinion on these statements.

MANDATES AND MEMBERSHIP OF THE FEDERATION'S COMMISSIONS, COMMITTEES, AND BOARD OF ETHICS AND PROFESSIONAL CONDUCT

As at December 31, 2012

Note: * Independent member

** Managing director

EXECUTIVE COMMITTEE (EC)

(7 directors)

This committee has the same functions and powers as the Board of Directors, with the exception of those which the Board may reserve for itself or assign to another committee or commission. The EC held eight meetings and one conference call in 2012.

Members

Monique F. Leroux, C.M., FCPA, FCA, Chair of the Board

Denis Paré,* Vice-Chair of the Board

Yvon Vinet,* Secretary of the Board

Laurier Boudreault⁽ⁱ⁾

Serges Chamberland*

Line Lemelin^{*(i)}

Serge Tourangeau*

⁽ⁱ⁾ Term began on June 15, 2012.

Jacques Baril* and Alain Dumas, FCPA, FCA, were members until June 15, 2012.

COOPERATION AND NETWORK LIAISON COMMISSION (CNLC)

(9 directors)

This commission assists the Board of Directors with issues related to Desjardins Group's cooperative culture and the relationship between the Federation's democratic bodies and the caisse network. The commission ensures that collaboration, participation and network liaison mechanisms are working efficiently and effectively. It submits recommendations to the Board of Directors as needed. The CNLC held five meetings and three conference calls in 2012.

Members

Denis Paré,* chair

Jacques Baril^{*(i)}

Denis Duguay*

Norman Grant^{*(i)}

Andrée Lafortune,^{*(i)} FCPA, FCA

Sylvie Larouche^{*(i)}

Johanne Perron⁽ⁱ⁾

Alain Raïche⁽ⁱ⁾

Sylvie St-Pierre Babin^{*/***(i)}

⁽ⁱ⁾ Term began on June 15, 2012.

Laurier Boudreault and Michel Roy* were members until June 15, 2012.

AUDIT AND INSPECTION COMMISSION (AIC)

(5 directors)

This commission oversees the activities of the Desjardins Group Monitoring Office, supports the Board of Directors in its monitoring and control responsibilities for the Federation and Desjardins Group, and examines in detail all aspects related to the disclosure of financial information. The AIC held 15 days of meetings in 2012.

Members

André Gagné,* CPA, CGA, chair

Annie P. Bélanger^{*/**}

Donat Boulerice*

Pierre Levasseur*

Benoît Turcotte^{*(i)}

Alain Dumas, FCPA, FCA, Roger Desrosiers, FCPA, CPA, Jean-Yves Leblanc and Serge Hamelin sit on the AIC as observers.

⁽ⁱ⁾ Term began on June 15, 2012.

Andrée Lafortune,* FCPA, FCA, was a member until June 15, 2012.

RISK MANAGEMENT COMMISSION (RMC)

(6 directors)

This commission assists the Board of Directors in identifying and monitoring major risks to the Federation and Desjardins Group. The RMC held seven meetings, one conference call and one training day in 2012.

Members

Andrée Lafortune,* FCPA, FCA, chair

Jacques Baril^{*(i)}

Norman Grant*

Michel Roy*

Sylvie St-Pierre Babin^{*/***(i)}

Serge Tourangeau*

André Gagné,* CPA, CGA, and Alain Raïche sit on the RMC as observers.

⁽ⁱ⁾ Term began on June 15, 2012.

Serges Chamberland,* Marcel Lauzon* and Line Lemelin* were members until June 15, 2012.

HUMAN RESOURCES COMMISSION (HRC)**(5 directors)**

This commission periodically reviews Desjardins Group's total compensation program to help ensure the organization remains competitive, and ensures that the compensation practices in effect are in compliance with Desjardins Group's policies and guidelines. The mandate of the HRC does not include the terms of employment for the President and Chief Executive Officer. The HRC held six meetings and four conference calls in 2012.

Members

Monique F. Leroux, C.M., FCPA, FCA, Chair of the Board
 Denis Paré,* Vice-Chair of the Board
 Yvon Vinet,* Secretary of the Board
 Carole Chevalier*
 Marcel Lauzon*

**COMMITTEE ON THE AGGREGATE
 REMUNERATION OF THE PRESIDENT
 AND CHIEF EXECUTIVE OFFICER OF
 DESJARDINS GROUP (CAR)**
(4 directors)

This committee is composed entirely of independent directors and is mandated to make recommendations to the Board of Directors on the compensation, terms of employment, and annual objectives of the President and Chief Executive Officer. The CAR held one meeting and two conference calls in 2012. It also held two closed-door working sessions with the Board of Directors.

Members

Denis Paré,* Vice-Chair of the Board
 Carole Chevalier*
 Marcel Lauzon*
 Yvon Vinet*

CORPORATE GOVERNANCE COMMISSION (CGC)**(5 directors)**

This commission supports the Board of Directors in applying and updating the corporate governance program. The CGC also oversees the process for recommending candidates to sit on the boards of directors of Desjardins Group subsidiaries. In addition, the CGC is responsible for supervising the performance review program for members of the Board of Directors and its commissions and committees, and for administering the Sustainable Development Policy and the Voting Rights Policy. The CGC held six meetings and one conference call in 2012.

Members

Monique F. Leroux, C.M., FCPA, FCA, Chair of the Board
 Denis Duguay*
 Pierre Levasseur*⁽ⁱ⁾
 Denis Paré,*⁽ⁱ⁾ Vice-Chair of the Board
 Sylvie St-Pierre Babin*/**⁽ⁱ⁾

⁽ⁱ⁾ Term began on June 15, 2012.

André Gagné,* CPA, CGA, and Yvon Vinet* were members until June 15, 2012.

INVESTMENT COMMISSION**(5 directors and 1 external member)**

This commission's role is fourfold: to monitor the markets and develop an integrated vision; to support portfolio positioning and asset distribution; to follow up on strategies and directions; and to act as an advisory body. The commission's activities complement those of the Risk Management Commission and Desjardins Group's various other investment committees and do not overlap with them. The Investment Commission held four meetings in 2012.

Members

Jacques Baril,* chair
 Laurier Boudreault
 Alain Dumas, FCPA, FCA
 Normand Grégoire*
 Pierre Levasseur*⁽ⁱ⁾
 Johanne Perron

⁽ⁱ⁾ Term began on June 15, 2012.

Benoît Turcotte* was a member until June 15, 2012.

DESJARDINS GROUP RETIREMENT COMMITTEE (DGRC)

(6 directors, 1 external member, and employer/participant/retiree representatives)

By virtue of the powers vested in it by the *Supplemental Pension Plans Act* and by the Desjardins Group Pension Plan (DGPP) Regulation, this committee is in charge of administering the DGPP, managing the pension fund and paying participants and their survivors the benefits they are entitled to. The members represent employees, employers and retirees and share the role of trustee for the pension fund. The DGRC held four meetings and one conference call.

The Federation represents all Desjardins employers with respect to the DGPP. The Federation's Board of Directors has decision-making power in certain matters, including the DGPP Regulation, the nature and terms of benefit payments to participants and retirees, contribution rates, and the use of any surplus. Through its Board of Directors, the Federation stands surety for the obligations (payment of employee pensions) resulting from the participation of all Desjardins Group employers in the DGPP.

Employer representatives are appointed by the Federation's Board of Directors. Member and retiree representatives are democratically elected by the group that they represent.

Employer representatives from the Board of Directors

Serges Chamberland,* chair
Carole Chevalier,*⁽ⁱ⁾ vice-chair
Norman Grant,* secretary
Sylvie Larouche*⁽ⁱ⁾
Line Lemelin*
Benoît Turcotte*

⁽ⁱ⁾ Term began on June 15, 2012.
Denis Paré* and Jacques Baril* were members until June 15, 2012.

Participant representatives

Guy Cormier
Julie Goulet
Mario Lévesque
Sylvain Rouleau

External member

Reynald N. Harpin*

Representative for retirees, beneficiaries and participants entitled to a deferred pension

Michel-Pierre Bergeron

Observer representing participants

Vacant

Simon Garneau was a member until October 4, 2012.

Observer representing retirees, beneficiaries and participants entitled to a deferred pension

Normand Deschênes

DGRC INVESTMENT COMMITTEE (5 directors and 1 external member)

Under the responsibility of the DGRC, which establishes the investment policy, the DGRC Investment Committee's mandate is to administer the policy and coordinate the activities of the designated fund managers. The DGRC Investment Committee held five meetings and five conference calls in 2012.

Members

Carole Chevalier,*⁽ⁱ⁾ chair
Line Lemelin,* secretary
Serges Chamberland*
Reynald N. Harpin*
Sylvie Larouche*⁽ⁱ⁾
Benoît Turcotte*

Guy Cormier, observer
Gregory Crispin, observer

⁽ⁱ⁾ Term began on June 15, 2012.
Jacques Baril* and Denis Paré* were members until June 15, 2012.

DGRC AUDIT, PROFESSIONAL PRACTICES AND COMPLIANCE COMMITTEE (1 director and 2 external members)

This committee is responsible for overseeing the financial reporting process, rules governing professional conduct and ethics, the complaint-handling policy, regulatory compliance management and corporate governance. It held three meetings and one conference call.

Members

Norman Grant,* chair
Sylvain Rouleau, secretary
Julie Goulet⁽ⁱ⁾

⁽ⁱ⁾ Term began in April 2012.
Vincent Coulombe was a member until February 17, 2012.

BOARD OF ETHICS AND PROFESSIONAL CONDUCT

(8 elected officers)

Pursuant to the *Act respecting financial services cooperatives*, the Federation has a Board of Ethics and Professional Conduct that is independent of the Board of Directors. The eight members of this board are Desjardins Group elected officers. The Board of Ethics and Professional Conduct is supported by a team that reports to the Cooperative Support Division and Secretariat General. In 2012, it held 12 meetings, including five conference calls, and its members attended one day of training to strengthen their ethics expertise. During the year, the members were also invited to attend a meeting held by the President and CEO of the AMF and the Board of Directors, a training session for members of Desjardins ethics committees and boards, and the annual conference organized by the Quebec Organizational Ethics Network.

One of the main responsibilities of the Board of Ethics and Professional Conduct is to ensure the independence and objectivity of the Federation's inspection and audit services for the caisses (Desjardins Group Monitoring Office) and make recommendations to the President and Chief Executive Officer of Desjardins Group regarding the appointment of the person responsible for managing these services.

In addition to the above-mentioned responsibilities, the role of the Board of Ethics and Professional Conduct includes adopting the rules of conduct applicable to the officers of Desjardins Group and the subsidiaries and to the employees of the Federation and the caisses; presenting said rules for approval to the Board of Directors and ensuring the caisses and the Federation comply with them; supporting the caisses and the Federation in applying the rules of conduct; issuing advice, observations and recommendations on ethical and professional conduct issues (particularly in cases of misconduct); notifying the Board of Directors of violations to the rules of ethics and professional conduct or if the Federation violates the provisions of the *Act respecting financial services cooperatives* or the regulations governing restricted party transactions and conflicts of interest; ensuring that complaints about the Federation originating from the caisses or other Federation members (*Caisse centrale Desjardins*, holding companies or subsidiaries) are addressed. The Desjardins Group Board of Ethics and Professional Conduct holds closed-door meetings, which management does not attend.

In 2012, the Board revised the Desjardins Group *Code of Ethics and Professional Conduct*, with the intention of making it the very first organization-wide code applicable to all Desjardins Group components. Each component will contribute to the revision process by adopting specific rules for its own activities. The new code will come into effect in the first half of 2013.

Members

Hélène Lee-Gosselin,* chair
 Claire Sarrazin,* secretary
 Michel C. Bélisle^{*(i)}
 Isabelle Bourgeois*
 Michel Guénette^{*(ii)}
 Ronald Pichette*
 Gabriel Plourde*
 Michel Yelle*

(i) Term began on March 29, 2012.

(ii) Term began on August 6, 2012.

Marcel Cardinal* was a member until March 29, 2012.

Lise B. Perreault* was a member until March 21, 2012.

Note: * Independent member

ATTENDANCE RECORD FOR THE MEMBERS OF THE FEDERATION'S BOARD OF DIRECTORS

Name ⁽¹⁾	BoD conf.														
	BoD	call	EC	CNLC	AIC	RMC	HRC	CAR	CGC	IC	DGRC	DGRC	APPCC	DCI EAC	CORE
Baril, Jacques*	19/19	6/7	4/4	4/5		3/3				4/4	3/3	6/6			12/12
Bélanger, Annie P.*/**	18/19	4/7			15/15									5/5	9/10
Boudreault, Laurier	19/19	6/7	5/5	3/3						4/4					8/11
Boulerice, Donat*	18/19	7/7			14/15										9/9
Chamberland, Serges*	19/19	7/7	9/9			5/5					5/5	10/10			10/10
Chevalier, Carole*	19/19	7/7					9/10	3/3		1/2	2/2	4/4		2/3	9/9
Duguay, Denis*	19/19	5/7		8/8					7/7					2/2	10/11
Dumas, Alain	19/19	5/7	4/4		6/6					4/4					8/9
Gagné, André*	19/19	6/7			15/15	2/3			4/4						7/7
Grant, Norman*	19/19	7/7		4/5		8/8					5/5		4/4	3/3	9/10
Lafortune, Andrée*	19/19	5/7		5/5	9/9	8/8								2/2	9/9
Larouche, Sylvie*	19/19	7/7		5/5							2/2	5/5			11/11
Lauzon, Marcel*	19/19	5/7				5/5	10/10	3/3							11/11
Lemelin, Line*	19/19	7/7	4/5			5/5					5/5	8/10			9/9
Leroux, Monique F.	19/19	6/7	9/9				9/10		7/7						
Levasseur, Pierre*	19/19	5/7			15/15				2/3	2/2				3/3	9/10
Paré, Denis*	19/19	6/7	9/9	8/8			10/10	3/3	3/3		3/3	4/5			9/10
Perron, Johanne	18/19	6/7		5/5						3/4				4/5	9/9
Raiche, Alain	18/19	6/7		4/5		7/8								2/2	8/9
Roy, Michel*	19/19	6/7		3/3		7/8								3/3	8/8
St-Pierre Babin, Sylvie*/**	19/19	5/7		7/8		3/3			3/3						11/11
Tourangeau, Serge*	19/19	7/7	7/8			7/8									11/11
Turcotte, Benoît*	19/19	6/7			4/6					2/2	5/5	10/10		3/3	10/10
Vinet, Yvon*	19/19	6/7	9/9				10/10	3/3	4/4						9/9

(1) BoD = Board of Directors; EC = Executive Committee; CNLC = Cooperation and Network Liaison Commission; AIC = Audit and Inspection Commission; RMC = Risk Management Commission; HRC = Human Resources Commission; CAR = Committee on the Aggregate Remuneration of the President and Chief Executive Officer of Desjardins Group; CGC = Corporate Governance Commission; IC = Investment Commission; DGRC = Desjardins Group Retirement Committee; DGRC IC = Desjardins Group Retirement Committee Investment Committee; DGRC APPCC = Desjardins Group Retirement Committee Audit, Professional Practices and Compliance Committee; DCI EAC = Desjardins Cooperative Institute Educational Advisory Committee; CORE = Council of Representatives.

Note: * Independent member
 ** Managing director

The Board of Directors held 19 days of meetings and seven conference calls in 2012. Under the policy, members are entitled to \$1,200 per day of meetings and \$200 per conference call. Regardless of the number of meetings attended in a single day (whether for a board, commission or committee), the maximum daily attendance fee is \$1,200. 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 AIC paid a total of 15 attendance fees in 2012. The AIC influences the activities of the Federation, *Caisse centrale Desjardins*, *Capital Desjardins inc.* and Desjardins Trust Inc.

If a director is absent for professional or personal reasons, justification must be provided. If the president of a council of representatives is absent, he or she may be replaced by the vice-president, who acts as managing director, to ensure the region remains represented.

ATTENDANCE RECORD FOR THE MEMBERS OF THE FEDERATION'S BOARD OF ETHICS AND PROFESSIONAL CONDUCT

Name	Number of meetings
Bélisle, Michel C.* ⁽ⁱ⁾	9/9
Bourgeois, Isabelle*	11/12
Guénette, Michel* ⁽ⁱⁱ⁾	5/5
Lee-Gosselin, Hélène*	12/12
Perreault, Lise B.* ⁽ⁱⁱⁱ⁾	2/4
Pichette, Ronald*	12/12
Plourde, Gabriel*	12/12
Sarrazin, Claire*	12/12
Yelle, Michel*	12/12

(i) Michel C. Bélisle's term began on March 29, 2012.

(ii) Michel Guénette's term began on August 6, 2012.

(iii) Lise B. Perreault was a member until March 21, 2012.

Note: * Independent member

MEMBERS OF THE COUNCILS OF REPRESENTATIVES

Rather than publish individual attendance figures for all 255 members, the Board of Directors has decided to publish meeting attendance rates for the 17 councils of representatives.

	Attendance rate (%)	Number of meetings
2012		
Bas-Saint-Laurent and Gaspésie–Îles-de-la-Madeleine	89	10
Kamouraska and Chaudière-Appalaches	88	8
Québec-Est	82	7
Québec-Ouest and Rive-Sud	86	11
Saguenay–Lac-Saint-Jean, Charlevoix and Côte-Nord	91	10
Centre-du-Québec	82	10
Mauricie	88	9
Eastern Townships	89	10
Richelieu-Yamaska	88	11
Lanaudière	87	9
Rive-Sud de Montréal	88	9
Laval–Laurentides	88	11
Ouest de Montréal	90	9
Est de Montréal	83	12
Outaouais,	84	11
Abitibi-Témiscamingue et Nord du Québec ⁽¹⁾	93	10
Group caisses	85	11
Ontario	95	9

(1) The council of representatives for the Outaouais, Abitibi-Témiscamingue and Nord du Québec region divides its meetings into two sectors.

ASSEMBLY OF REPRESENTATIVES

	Number of representatives present	Attendance rate (%)
March 30, 2012	256	100
May 5, 2012	209	81.6
September 15, 2012	215	84.0

DESJARDINS GROUP MANAGEMENT COMMITTEE

(13 management members)

This committee supports the President and CEO of Desjardins Group and the Board of Directors in their responsibility to provide a management structure for Desjardins Group. The committee helps the Board incorporate the strategic directions of the cooperative network and the subsidiaries and implement business development strategies. The Management Committee held 26 meetings, one conference call and one videoconference in 2012.

Members

Monique F. Leroux, C.M., FCPA, FCA, Chair of the Board, President and Chief Executive Officer of Desjardins Group, and Chair of the Committee

Stéphane Achard, Senior Vice-President and General Manager, Business and Institutional Services, Desjardins Group

Réal Bellemare, Senior Vice-President, Risk Management, Desjardins Group

Denis Berthiaume, Senior Vice-President and General Manager, Wealth Management and Life and Health Insurance, Desjardins Group

Serge Cloutier, Executive Vice-President, Cooperative Development and Democratic Governance Support, Desjardins Group

Guy Cormier, Senior Vice-President, Cooperative Network Support, Desjardins Group

Marie-Huguette Cormier, Executive Vice-President, Communications, Desjardins Group

Normand Desautels, CPA, CGA, Senior Vice-President and General Manager, Personal Services and Human Capital, Desjardins Group

Daniel Dupuis, CPA, CA, Senior Vice-President, Finance, and Chief Financial Officer, Desjardins Group

Louis-Daniel Gauvin, Senior Vice-President and General Manager, *Caisse centrale Desjardins* and *Capital Desjardins inc.*

Marc Laplante, CPA, CA, Senior Executive Vice-President, Desjardins Group, and General Manager of the Federation

Robert Ouellette, Senior Vice-President, Technology and Shared Services, Desjardins Group

Sylvie Paquette, Senior Vice-President, Property and Casualty Insurance, Desjardins Group

The Management Committee has the following Desjardins-wide coordination committees: the Desjardins Group Operating Committee; the Desjardins Group Strategic Management Structure Committee; the Operational Governance and Follow-Up Committee; the Finance and Risk Management Committee; the Desjardins Group Image Committee; the Network Liaison Committee; and the Desjardins Group Development Planning and Follow-Up Committee.

EXECUTIVE COMPENSATION

Executive compensation disclosure requirements apply to certain Desjardins Group components, namely the Federation, *Caisse centrale Desjardins* and *Capital Desjardins inc.* As required by Regulation 51-102 respecting Continuous Disclosure Obligations, the compensation of executives from the Federation, *Caisse centrale Desjardins* and *Capital Desjardins inc.* is presented in each entity's respective Annual Information Forms and is incorporated by reference in this annual report. The Annual Information Forms are available on the SEDAR website (www.sedar.com) under each entity's respective company profile.