



NOTES

FOR A SPEECH BY

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CHAIR OF THE BOARD, PRESIDENT AND CEO
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TO THE CANADIAN CLUB OF MONTREAL

**“RESPONSIBLE AND SUSTAINABLE DEVELOPMENT
THAT PUTS PEOPLE FIRST”**

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(Check against delivery)

Madam President,
Distinguished guests,
Team Desjardins,
Ladies and gentlemen,

I am happy to be among you today and I thank you for being here. It's an honour to be invited to the prestigious platform at the Canadian Club of Montreal.

The Club's mission is to give guest speakers an opportunity to express their opinion on hot topics and key issues. Well, that's exactly what I intend to do today!

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While we're seeing the most ground-breaking technologies in the history of mankind, we also live in an era of uncertainty. Of course, there all kinds of uncertainties.

For example, we wonder what Marc Bergevin will do in the next weeks. Is he going to pull a rabbit out of his hat to help the Canadiens bring the Stanley Cup back to Montreal? When will the Expos make their comeback?

I know many who just cannot wait to get answers to those questions.

That being said, there are other uncertainties that have some more serious implications. Like the fact that we don't know where our trade relations with the United States are headed. Or if the commitments made as part of the Paris Agreement will be kept.

Any type of outcome is bound to have some consequences and will determine our future.

Ultimately, the future is full of uncertainty. What will our biggest challenges be in 2022? What's the next invention that will change our lives? Where will the next major crisis come from? We're not much better equipped than our forbearers to answer these questions.

True, we no longer have to deal with the plague or cholera today but other issues and events keep us on our toes: acts of terrorism, severe weather and volatility on the stock and financial markets—even provocative tweets! We must be ready for everything, even that which seems highly unlikely.

But all of this does not mean we are doomed. We can and must still take action. There are goals still worth fighting for. We always have the ability to change the course of things.

Today, I want to talk about one of these goals. A goal that concerns us all, business people and leaders: how we can contribute to responsible, sustainable economic development that puts people first.

Desjardins, an organization that belongs to us and works for the Montreal community

But before we delve into the subject, I want to talk to you a little bit about Desjardins Group and how we are involved in Montreal.

Desjardins Group today:

- We serve 7 million members and clients across Canada, including 350,000 business members.
- We rely on the commitment of approximately 4,600 caisse elected officers and have over 47,000 employees.
- We have assets of close to \$268 billion.
- In 2016, our operating income was \$14 billion and surplus earnings approximately \$1.8 billion.
- We gave back \$259 million to members and communities in the form of sponsorships, donations, dividends and member advantages.
- We have strong market shares in Quebec: 42% of balance sheet savings, 36% of the residential mortgage volume, more than 24% of business credit and approximately 23% of consumer credit.
- Today, Desjardins is the third largest property and casualty insurer in Canada and the fifth largest life and health insurer.
- Finally, Desjardins Group maintains excellent capital ratios [*take a look at the screen*]. Among the best in the industry.

None of this would have been possible without the trust of Desjardins members who, in the last 117 years, have helped further a project that Alphonse and Dorimène Desjardins started.

Desjardins Group belongs to all its members. It has always been so and it will always be so. As a cooperative financial group, our status is protected. There can be no hostile takeover on Desjardins.

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Desjardins Group has made some sizable investments in Montreal.

We are proud to be among the 12 Great Montrealers—the partners who have worked together and invested in ensuring the long-term success of Montreal’s 375th anniversary celebrations.

We are also proud of the Complexe Desjardins and its indoor space, which have been a landmark of Montreal's city life for more than 40 years. In the last two decades, we've invested approximately \$140 million in this building.

Desjardins in Montreal; that's a 15-year lease with the Régie des installations olympiques that will allow us to house 1,500 employees from our AccèsD services in the Tour de Montréal as of 2018. We have about 2,000 employees currently in the process of moving into a new building at 450 de Maisonneuve West. In total, we have some 17,500 employees in Greater Montreal.

Desjardins in Montreal; that's also new ways of reaching out to our members. We have our 360d centres for young adults and students on university campuses. We also have new service centres in high-density and diversified neighbourhoods, including Marché central, TMR and NDG.

Desjardins in Montréal also breeds an innovation ecosystem—our Desjardins Lab for example. And we've partnered with other firms, some of which are fintechs.

Along with Cambridge Mobile Telematics, a fintech from Boston, we've designed and developed our Ajusto app. Ajusto helps encourage our insureds to adopt good driving habits, which in turn translate into a discount on their insurance premium.

In collaboration with Roost, an insurtech based in California, we've created a home insurance program to prevent water damage, available nationwide. With Alert, we've entered an era where smart devices can send an alarm to your phone if there's a water leak or risk of freezing pipes in your home, so you can react quickly and avoid more extensive damage.

Desjardins in Montreal means deep roots in the community and a strong commitment towards innovation and the future.

A threatened economic model with room for improvement

That brings me to the subject of my speech: how to achieve responsible, sustainable economic development that puts people first.

The global economic growth we've seen in the past decades has been the result of more open markets and it has had both positive and negative effects. On the bright side, global trade has improved the lives of hundreds of millions of people in emerging countries. More open export markets have also led to business expansion in industrialized countries, which has in turn benefitted workers in those countries.

In March, Bank of Canada Governor Stephen Poloz gave a speech in which he looked back on Canada's 150 years of history. His main observation was that Canada does better when its economy is open to foreign trading, investments and workforce.

Of course, globalization is not all bright and shiny. We're seeing financial crises pop up left and right; new giant businesses that are larger than the nation states; offshoring and rising inequalities.

As a result of changing economies, people—many people—feel abandoned. They feel that the system is unfair to them and they're not happy about it.

These people are angry and, for the most part, those are the people who are responsible for the passing of Brexit in the U.K. and who have elected Donald Trump as President of the United States. Both events had a low probability of happening, yet happened at around the same time. Two events that are causing a great deal of uncertainty today.

How it will all end; we have yet to find out.

In terms of Canada-U.S. trade relations, we've been in the line of fire a few times since early spring, to say the least. The U.S. President and the members of his Cabinet have made numerous—often vindictive—statements on NAFTA, supply management and lumber.

But it takes two to tango. And right now, we're not really sure where we stand with our U.S. partner.

The good news is that the different levels of government and business people from both sides of the border are actively showing their support for the free trade agreement, and how it has benefited our two countries for over two decades now.

People are talking. Committees are being set up for NAFTA negotiations. This three-party dialogue, which will include Mexico, is a hopeful one.

One thing is certain: a trade war climate would not benefit long-term economic growth. On the contrary!

For shared prosperity

But in order for the global economy to continue to grow in an open climate, some things must be improved. First, it's important to support the workers so they don't pay the price when businesses have to adjust to global competition. So we should focus more on workforce reskilling.

We must also help youths succeed in school and earn the skills and qualifications they need to do well in the future.

We must make sure to have the best social solidary mechanisms in place to reduce inequality.

If we fail, the existing feeling of resentment among large portions of our populations will only grow stronger. People will be even more fed up and they will become more cynical. And the political powers that feed on isolation—looking for scapegoats—and that offer solutions that are too simple for overly complex problems, would then have the upper hand.

Like Nobel laureate economist Joseph Stiglitz said: “the only sustainable prosperity is shared prosperity.”

And that's on us!

Rethinking growth and the role of businesses

It's the right time to question the very nature of economic growth.

The limits of unfettered capitalism have become clear. The desire for short-term profit prevents us from seeing down the road and is not sustainable in the long run.

As Paris Montréal Conseil associate André Coupet wrote recently: *“We cannot continue to demand returns on capital of 12%, quarter after quarter, when growth perspectives in the OECD countries are barely 1%. This model is in disequilibrium and only survives by depleting all resources, both from providers and the planet (...) and by exploiting us humans, who have no choice but to follow the pace and the terms set by the players in this equation.”* (courtesy translation)

If we keep up this pace for the next 30 years, it won't be long before we see even more inequality, even more dissatisfaction, and a planet in worse shape.

To achieve more balanced economic growth, we need to look at different sources of growth. We need to invest in intellectual property, reduce inequality and school drop-out rates, train the workforce and take measures to improve air quality and manage water.

These are all elements that, traditionally, don't interest businesses. But we can't continue like this. It's all about profit; we leave the rest to the communities, humanitarian organizations, governments and ecologists.

But we cannot continue down this road. We cannot rely on the one law of the market, the *laissez-faire*, or on trickle-down economics because wealth does not automatically seep down to the bottom of the pyramid.

The economy and society are part of a larger whole. And if we, in business and finance, don't take care of the social aspect...if we don't take care of the people, the issues we're faced with today will only get worse.

We're now at a critical point in our shift in the areas of technology and the environment. We'll need to continue to invest a great deal and on a longer term. We must take advantage of the huge potential that this transition holds for us. Over the next decades, we must make sure that these new investments are a source of economic growth.

In a changing world, drivers of growth are also changing. And we need to change—we need to live, produce and do business differently to foster responsible development that puts people first.

I firmly believe that if our businesses played a greater socio-economic role, we would have a more viable economic system.

Desjardins: a strong commitment on the socio-economic level

During this time of challenges, I consider myself truly privileged to be the president of a cooperative financial group like Desjardins.

Not because Desjardins Group is the only institution with strong values. But because as a cooperative, it has its advantages.

Because making profit for our members is not our primary goal, we can allow ourselves to think and act for the long term. This allows us to absorb additional costs while maintaining more than 1,000 physical branches in Quebec. It also allows us to devote a significant portion of our human and financial resources to social events and activities—all while respecting market requirements which motivate us to be a more effective, financially strong and competitive organization.

I want to add that it is because we are a cooperative financial group that we strongly support academic success. We do that through our charitable organization, the Desjardins Foundation, by awarding scholarships and helping students stay focused on their studies.

In 2016, the Desjardins Foundation helped 125,000 young people. We gave out approximately \$1.9 million in scholarships, prizes and donations to about 15 organizations that work with youths and support education.

Because we are a cooperative, we also offer a financial education program—Personal Finance: I'm in Charge!—which has been designed specifically for young people ages 16 to 25. The program provides them with the information and tools they need to start their financial lives with confidence.

The program is module-based and taught in secondary schools, CEGEPs and certain community organizations by certified trainers from partner organizations. In 2016, some 41,000 young students took part in the program's training activities.

Because we are a cooperative, we also invested \$7 million in 2016 in our solidarity-based financing programs, which contribute to improving access to financial services. Through these programs, we provide assistance and advice to those who are financially vulnerable and offer financing to new entrepreneurs who don't qualify for traditional loans.

Elsewhere at Desjardins, for example in Ville-Marie Centre-Sud at Caisse Desjardins du Quartier Latin, the caisse employees set up shop at the Maison du Père every first of the month—they have been doing so since 2010. They help the homeless cash their social assistance cheques in a secure manner, without having to sacrifice 10% to 20% of their money to less scrupulous intermediaries.

Because we are a cooperative, in 1970 we set up a subsidiary called Développement international Desjardins—DID. DID helps give underprivileged populations worldwide access to diversified, secure financial services that meet their needs. DID is a worldwide leader in microfinance. Right from the beginning, it has contributed to projects in approximately 70 developing and emerging countries across four continents.

At Desjardins, we're also committed to protecting the environment. Our pension plan, our Capital Markets Division and other Desjardins Group entities have invested more than \$1 billion in renewable energy, such as wind and solar energy and clean technologies.

We also offer investment funds, such as the SocieTerra fund portfolios, which finance groundbreaking technologies and solutions in the areas of energy efficiency and the environment. As at April 30, our members and clients have invested approximately \$3 billion in these funds.

I could go on for several minutes.

At Desjardins, we're very proud of these contributions—recurring contributions that often have a leveraging effect. These contributions help us build a more equal, inclusive and environmentally-friendly society to further consolidate our economic development.

Together, we will be stronger

I urge you to join us in taking on the challenge and to seek responsible, sustainable development that puts people first.

This task concerns us all and I am convinced that, with your commitment as leaders and with your commitment as business leaders, we can all help make a big difference.

The world of tomorrow—the world that our children and our grandchildren will live in—is the world that we would have built for them. And we owe it to them to join forces today, in the spirit of cooperation.

Thank you.