



2011

SOCIAL AND
COOPERATIVE
RESPONSIBILITY REPORT

CREATING

CAISSES: ROOTED IN THEIR COMMUNITIES

Caisses were created by their founders to be an instrument of socio-economic organization for local communities. Quebecers, and then Ontarians, made such good use of this development tool that the number of caisses grew as fast as new villages popped up. Their purpose? To make savings and credit services accessible to as many people as possible.

Today, 111 years later, Desjardins Group's 422 caisses offer a complete range of financial services to over 5 million members and clients. To fulfil our mission, we count on the commitment of 5,366 officers and 44,645 employees across Quebec, Ontario, most other Canadian provinces, and abroad.



OUR MISSION

To contribute to improving the economic and social well-being of people and communities within the compatible limits of our field of activity:

- By continually developing an integrated cooperative network of secure and profitable financial services, owned and administered by the members, as well as a network of complementary financial organizations with competitive returns, controlled by the members
- By educating people, particularly members, officers and employees, about democracy, economics, solidarity, and individual and collective responsibility

OUR VISION

Desjardins, the leading cooperative financial group in Canada, inspires trust around the world through the commitment of its people, its financial strength and its contribution to sustainable prosperity.

OUR VALUES

- Money at the service of human development
- Personal commitment
- Democratic action
- Integrity and rigour in the cooperative enterprise
- Solidarity with the community

BRINGING THE DESJARDINS MISSION, VISION AND VALUES TO LIFE EVERY DAY

Since 2011, the 5,366 elected officers and 44,645 employees of Desjardins Group have access to a new reference tool to give them a better understanding of our cooperative identity, along with our mission and values. This tool is also used in different workshops to encourage maximum consideration of our organization's cooperative nature when designing products, services and even processes.



SOCIAL RESPONSIBILITY: AN INTRINSIC ASPECT OF OUR MISSION

This edition of the *Social and Cooperative Responsibility Report* is testimony to what distinguishes us as a cooperative financial group.

Cooperation prompts us to translate our cooperative values into concrete action. These values—self-help, self-responsibility, responsibility for others, democracy, equality, equity and solidarity—inevitably influence the initiatives of elected officers and employees of Desjardins Group.

Our mission also explicitly enjoins us to “contribute to improving the well-being of people and communities” by putting money at the service of human development. Our practices are therefore connected to the cooperative nature of our financial group. Accordingly, our cooperative distinction is not simply a complementary addition to our strategic or business plans. Rather, it is intrinsic to them and is, therefore, an integral part of all of our actions. This is true for each and every point of service that serves our members and clients. Our caisses and subsidiaries and their specialized service centres are all dedicated to providing our members and clients with a distinctive cooperative experience.

SUSTAINABLE DEVELOPMENT POLICY

Adopted in 2005 following decisions made by local caisse delegates at the Annual General Meeting of the Federation, the Desjardins Group Sustainable Development Policy provides a framework for applying sustainable development principles to our internal management operations and our commercial practices. Between 2005 and 2012, we launched a number of initiatives to improve our performance in the area of social responsibility. These initiatives dealt with both our management practices and our products and services. In the spirit of sustainable development, Desjardins supports community organizations to improve regional prosperity. To that end, we help shape and transform public policy, particularly by filing position papers with government authorities.

The Board of Directors establishes sustainable development orientations, which are then implemented under the supervision of the Desjardins Group Management Committee. The Management Committee ensures that all Desjardins Group management teams and staff meet our sustainable development goals. In case of uncertainty surrounding the social or environmental impact of a decision, caution must be exercised.

A number of Desjardins Group senior managers have performance objectives related to various aspects of the Sustainable Development Policy. For example, our Executive Vice-President, Cooperative Development and Democratic Governance Support, has specific targets regarding accessibility of solidarity products. The Vice-President, Cooperative Support and Secretary General of Desjardins Group has performance objectives connected with improving the Desjardins Group sustainable development program as a whole. What's more, the employee incentive plan of our property and casualty insurance sector (DGIG) is tied to sustainable development and education initiatives.

2011 HIGHLIGHTS

- 5,6 million caisse members in addition to individual and business clients¹
- 44,645 employees
- 5,366 elected officers
- 422 caisses in Quebec and Ontario, with:
 - 888 service centres
 - 2,559 ATMs
 - 43 business centres serving more than 400,000 businesses
- A number of subsidiaries, many of which are active across the country
- More than \$80 million given back to communities in the form of donations, bursaries, scholarships and sponsorships
- Assets of \$190.1 billion
- Tier 1 capital ratio of 17.3%

A COOPERATIVE FINANCIAL GROUP THAT CONTINUES TO SET ITSELF APART

- Canada's leading cooperative financial group
- The largest financial institution in Quebec
- One of Canada's Top 100 Employers according to Mediacorp Canada Inc., and one of "Canada's Top Family-Friendly Employers"
- One of the *Financial Post's* Ten Best Companies to Work For

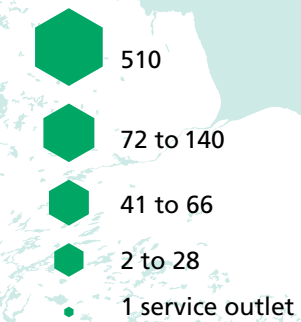
NAMED BEST CORPORATE CITIZEN IN CANADA BY *CORPORATE KNIGHTS*

"In this International Year of Cooperatives, we at Desjardins intend to stay the course to ensure the sustainable prosperity of our 5.6 million members and their communities, whether by enhancing our member experience, reducing our ecological footprint or introducing new innovations in democratic governance to our caisse network." – Monique F. Leroux

1. Some of our members use the services of multiple Desjardins cooperatives or share an account with other members. Desjardins also meets the financial service needs of hundreds of thousands of Desjardins subsidiary clients, who are not necessarily caisse members.

DESJARDINS AT HOME

Concentration of service outlets
May 4, 2012



25

54

510

66

149

72

140

59

41

58

46

28

...AND ABROAD





CO-OPME – AN EDUCATIONAL PROGRAM THAT BRINGS OUR COOPERATIVE DIFFERENCE TO LIFE FOR OUR MEMBERS, CLIENTS AND THE GENERAL PUBLIC

2011 marked the launch of our program to better educate our members, clients, employees and elected officers as well as the general public about cooperation, democracy and saving. A number of initiatives were rolled out and others are under development to help the public better manage their personal finances, to encourage saving and the responsible use of credit through innovative products, to promote training for individuals and skills development for youth and, finally, to foster the growth of the cooperative movement.

The Co-opme Program focuses on four key areas:

1. *Fondation Desjardins* and personal commitment (**Cooperating in providing support**)
2. Education, the foundation of sustainable prosperity (**Cooperating in learning**)
3. Innovative financial products that foster self-responsibility (**Cooperating in steering innovation**)
4. Promoting the cooperative model (**Cooperating in promoting our difference**)

Desjardins Group is allocating 1% of its surplus earnings to this program, which amounted to \$15 million in 2011. Several initiatives associated with the Co-opme Program are outlined in the “Major commitments to education and cooperation” section on page 30, as well as in various other sections of this report. Look for the Co-opme logo in the right margin.



2012: THE INTERNATIONAL YEAR OF COOPERATIVES

The International Year of Cooperatives is a one-of-a-kind opportunity to showcase the diversity of the cooperative movement around the world and to urge governments to take measures aimed at creating an environment that is propitious to the development of cooperatives.

This year’s theme is “Cooperative enterprises build a better world”. The International Year of Cooperatives is a chance for the cooperative sector and governments to:

- Raise public awareness of cooperatives and how the cooperative business model contributes to economic and social development
- Boost growth and enhance the viability of cooperatives
- Launch initiatives that will last well beyond December 31, 2012

In order to provide leaders of large cooperative groups from all sectors with an opportunity to forge ties and reflect on the economic role and influence of cooperatives as well as on what is needed to ensure their long-term viability, Desjardins Group is organizing the International Summit of Cooperatives, which will be held in Lévis and Quebec City this October.

This first-ever international summit will attract officers, delegates, stakeholders, decision-makers and executives from the cooperative community in 90 countries and a variety of different industries (finance, agriculture and commerce). It will be a stimulating learning opportunity for all cooperatives, especially for Desjardins officers and employees.

MESSAGE FROM THE CHAIR OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER



Monique F. Leroux

Chair of the Board,
President and CEO
of Desjardins Group

We are publishing our *2011 Social and Cooperative Responsibility Report* to coincide with the first-ever International Summit of Cooperatives, which is taking place in Quebec City and Lévis. This summit, which brings together cooperative and mutual society representatives from all over the world, is one of the flagship activities of the International Year of Cooperatives—and Desjardins is delighted to be its main organizer. We thought this was the perfect time to publish our report because the entire Desjardins economic and social approach is profoundly marked by our nature as a cooperative financial group.

Desjardins Group is proud to be part of the global cooperative movement, a movement we want to see expand and take an ever more active role throughout the world. That is the *raison d'être* of the International Year of Cooperatives, proclaimed by the United Nations for 2012.

Cooperatives stand out in Canada

A few months ago, *Corporate Knights* magazine unveiled its list of the best 50 corporate citizens in Canada. Desjardins Group was awarded first place. We take great pride in this achievement and view it as encouragement to continue our efforts. But equally noteworthy is the fact that four of the top 10 organizations on the list are cooperatives. I see this as confirmation that the cooperative approach is perfectly in keeping with the principles of sustainable development and social responsibility.

Working for sustainable development

Our social responsibility underpins our resolve to be artisans of sustainable development as we work to balance economic, social and environmental imperatives. That is why our initiatives and achievements encompass all these dimensions. Everything from our governance practices and internal management methods to our financial product and service offers are guided by the values of equity, solidarity, democracy and integrity. Our social responsibility is an extension of what distinguishes us as a cooperative financial group.

It is from this solid footing, and with a profound respect for people and the environment, that we contribute to economic growth and wealth creation for current and future generations alike.

Financial education at the heart of our mission

As the world of financial services grows more and more complex, we want to ensure our members can master this complexity. At Desjardins, we believe that no one is in a better position than a financial services cooperative to provide financial education. And no one is better suited to play this role with credibility and in the real interest of people. Financial education is a major component of the Co-opme Program, which we launched in 2011. This program offers a number of tools in the areas of education and cooperation.

This *Social and Cooperative Responsibility Report* presents the highlights of this program. More generally, it reports the results of the work of some 50,000 elected officers and employees of Desjardins Group, who are committed to building, together with the entire cooperative movement, a better world.

A stylized handwritten signature in black ink.

ABOUT THE 2011 SOCIAL AND COOPERATIVE RESPONSIBILITY REPORT

This edition of the *Social and Cooperative Responsibility Report* looks at the overall performance of Desjardins Group components for the period January 1 to December 31, 2011. It is being published in conjunction with the International Summit of Cooperatives, which will be held October 8 to 11, 2012. The selected indicators presented herein are based on the guidelines of the Global Reporting Initiative (GRI 3), Application Level B. A complete list of the GRI indicators used can be found on pages 49 to 51.

After several years of using the Global Reporting Initiative application method, we have found that we still need to improve the way we measure and document certain aspects of our activities. We have therefore begun revising the process we use to produce our social and cooperative responsibility report. We also intend to form a steering committee to establish our main social, environmental and economic priorities and objectives. However, the results of these efforts will not be apparent until the 2013 edition of the *Social and Cooperative Responsibility Report*.

That said, some 50 employees from all Desjardins sectors of activity have had a part in preparing this edition of the *Social and Cooperative Responsibility Report*. Moreover, the information presented in this report has been verified by a number of representatives of our organization.

NOTE TO READER

1. To enhance readability of the *Desjardins Group Social and Cooperative Responsibility Report*, here is a short definition of the expressions "Desjardins Group", "Desjardins", "Federation" and "caisse network":
 - a. The expressions "Desjardins Group" and "Desjardins" refer to all Desjardins Group components combined, i.e. the business sectors and support functions serving the entire organization, as well as the subsidiaries and the caisse network.
 - b. The expression "caisse network" refers to all Desjardins caisses, including administrative centres and business centres.
 - c. The term "Federation" refers to the *Fédération des caisses Desjardins du Québec*.

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DIALOGUE WITH OUR STAKEHOLDERS

We have always used a variety of methods to maintain a dialogue with our stakeholders—our members, clients, elected officers and employees, as well as representatives of the socio-economic, cooperative, political and environmental communities—as evidenced by our 2010–2012 Strategic Plan. This constructive dialogue helps Desjardins grow and remain attuned to the needs and concerns of our stakeholders. Over the years, we have consulted them on numerous issues, including our cooperative difference, their satisfaction with our products and services, and the quality of our customer service to name but a few.

There is currently no official consultation method in place for the *Social and Cooperative Responsibility Report*. Because we believe it is important to gather feedback from our stakeholders on our social responsibility reporting, this issue will be addressed during the revision process underway.

HOW WE COMMUNICATE AND CONSULT WITH OUR STAKEHOLDERS

Our members and clients

- Caisse annual general meetings
- Ad hoc consultation committees, online consultations and discussion groups
- Satisfaction and product and service surveys
- On Twitter and Facebook

Our elected officers

- Caisse boards of directors and boards of supervision
- Meetings and assemblies (general, regional and group caisse meetings; Assembly of Representatives)
- Councils of representatives
- Elected Officer Portal
- Annual Rendez-vous Meeting of Caisse Presidents and General Managers
- Annual Rendez-vous Meeting of Caisse Board of Supervision and Audit Committee Chairs
- Video conferences, telephone conferences and online conferences with Desjardins Group management

Social and environmental non-profit organizations

- Partnership agreements
- Presence on boards of directors
- Consumer association roundtables

Government bodies

- Representation activities (registered as a lobbyist in Quebec, Ontario and Canada)
- Presentation of position papers, commentaries and conferences
- Participation in parliamentary committees

Our employees and managers

- Engagement surveys
- In-house information portal for Desjardins employees
- Web and telephone conferences with employees, managers and the President
- Online consultations
- Ad hoc surveys on specific topics
- Senior management blogs

General public

- Desjardins.com* website
- Desjardins and Me* magazine (also available electronically)
- Information distributed through the caisse network
- Focus groups (market research)
- Various surveys

Our providers

- Service and partnership agreements
- Supplier evaluations

"At Desjardins, cooperation is in our DNA. It's our past and our future. I want to make sure we always stay connected and committed to you as a cooperative enterprise and that money remains at the service of human development."

— Monique F. Leroux



COMPANY PROFILE

SOCIAL RESPONSIBILITY HAS ALWAYS BEEN PART OF OUR MISSION

At Desjardins, social responsibility is a logical extension of what sets us apart as a cooperative financial group. Our governance practices and internal management methods, and even our financial products and services, are guided by the values of equity, solidarity, democracy and integrity.

1.1 DEMOCRATIC GOVERNANCE

Desjardins Group is first and foremost a democratic organization run by our members. True to our cooperative nature, Desjardins has always adhered to the “one member, one vote” principle. That means the members of each caisse decide on the major orientations of the caisse, on potential amalgamations (mergers) and the by-laws that govern our operations. They review their caisse’s annual results and vote on the distribution of any surplus earnings (or profits). Caisse members elect their representatives, who in turn help establish Desjardins Group orientations and policies and make decisions on behalf of the members.

Caisses are grouped into 17 councils of representatives made up of caisse elected officers (2/3) and general managers (1/3). Councils of representatives are responsible for addressing the concerns and expectations of group caisses or the caisses in a particular region, and for communicating them to the Federation. The 17 presidents of the councils of representatives are all members of the Federation Board of Directors. The Board of Directors also includes four general managers who are elected by the Assembly of Representatives, the President and CEO of Desjardins Group, as well as two managing directors to ensure adequate representation of caisses belonging to an exceptionally large territory.



At Desjardins, 5.6 million members elect:



the 5,366 elected officers who elect:



the 255 members of the 17 councils of representatives who elect:



the board of directors, composed of 19 presidents and vice-presidents of councils of representatives, 4 general managers and the president and chief executive officer.

Desjardins Group governance practices are in line with those of the financial services industry and regulatory authority expectations. We do however adapt them as needed to stay true to our cooperative nature. The quality of Desjardins Group governance is the product of the ongoing contributions of thousands of elected officers, all of whom are committed to ensuring the longevity of Desjardins Group and contributing to sustainable economic, social and environmental prosperity at the community, regional and national level.

Participation in the democratic life of Desjardins	2011	2010	2009
Number of members attending caisse annual general meetings	70,496	74,239	88,951
Percentage of members attending caisse annual general meetings	1.26%	1.35%	1.56%
Number of caisse delegates at regional and group caisse general meetings	1,015	1,067	1,030
Number of caisse delegates at Federation general meetings	1,075	1,095	1,085
Percentage of representatives attending the Assembly of Representatives ¹	90.6%	88.7%	85.4%



Despite our efforts, member attendance at caisse annual general meetings is down. We are currently working to equip caisses with new technological tools to generate greater member participation in caisse governance and associative life. This is also one of the initiatives of the Co-opme Program. These tools are slated for rollout in 2013.

1. The Assembly of Representatives is held three times per year, bringing together the members of the 17 councils of representatives in Quebec and Ontario, as well as the President and CEO of Desjardins Group (256 people).

Representation of women in caisse governance (as a percentage)	2011	2010	2009
Elected officers who are women	34.9%	34.9%	34.7%
Board of directors chairs who are women	15.2	14.7	14.6
Board of supervision chairs who are women	33.6	34.0	33.5

Representation of elected officers by age group (as a percentage)	2011	2010	2009
Officers age 18 to 34	11.3%	11.1%	11.0%
Officers age 35 to 49	19.2	19.8	20.7
Officers age 50 to 64	42.5	43.4	43.6
Officers age 65 and up	27.0	25.7	24.7

The Desjardins Group Board of Directors has examined the issue of women's representation in caisse governance and a number of proposals are currently being studied to improve the situation.

Code of Ethics and Professional Conduct

A variety of mechanisms are in place to ensure that all senior managers, managers, employees and Group officers and employees must sign an electronic statement acknowledging that they have read Desjardins Group's *Code of Ethics and Professional Conduct* and agree to take the organization's values and rules of professional conduct into account in their day-to-day actions and decisions.

The Desjardins Group *Code of Ethics and Professional Conduct* sets out very precise rules on confidentiality, data protection, conflicts of interest, granting contracts and protecting the reputation of the organization. There is also an anonymous mechanism for reporting situations that violate the Code. In addition, employees who so desire can receive online training and advice on professional conduct.

The Federation has formed a Board of Ethics and Professional Conduct that, like the Board of Directors, reports to the Federation Annual General Meeting. Within Desjardins caisses, the "board of supervision" in Quebec and the "audit committee" in Ontario are responsible for ethics and professional conduct. These bodies are independent from their caisse's board of directors.

The Desjardins Group *Code of Ethics and Professional Conduct* is available to the public on *Desjardins.com* and on the Federation intranet portals.

Complaint management

The Ombudsman is a last recourse for members, clients and employees to ensure complaints are dealt with in a fair and impartial way, while taking into account Desjardins Group's values and rules of professional conduct.

Number of complaints handled by the Ombudsman



Ethical practices relating to marketing communications

Desjardins Group's marketing communication practices (advertising, promotions and sponsorships) are guided by the values of honesty and transparency, and are in keeping with applicable legislation (consumer protection, copyright, and French language laws). The same applies to all matters concerning photographic rights, *Union des artistes* standards and intellectual property. We also have a Desjardins Group Image and Reputation Committee that ensures that our advertising and marketing practices are aligned with our values.

Framework for representation activities

At Desjardins Group we develop and maintain strong relationships with the political and administrative arms of the federal and provincial governments, while preserving our autonomy and independence, in compliance with our cooperative principles. These relationships seek to fulfil five objectives:

- Support the strategic orientations of Desjardins Group
- Ensure that our interests are taken into consideration at the legislative and regulatory levels
- Enhance our business relationships
- Gain recognition for our cooperative difference
- Help improve legislation in general for the benefit of the public at large

These representations aim, first of all, to ensure the continuity of Desjardins Group's operations by ensuring that regulatory frameworks and calls for tenders take into account our cooperative difference and ensure healthy competition among financial institutions, thereby serving the best interests of our members and clients, elected officers, employees, and the communities served by Desjardins. The Corporate Affairs and Desjardins Group Management Division handles all responsibilities inherent in representations made to government officials.

In Canada, representation activities are subject to legislation on lobbying, which is recognized as the legitimate means of accessing the different levels of government with respect to both policy and administration. In order to guarantee transparency in all of our activities, Desjardins Group scrupulously respects the laws and standards dictated by the *Commissaire au lobbyingisme du Québec*, the Office of the Commissioner of Lobbying of Canada and the Ontario government's Office of the Integrity Commissioner. Desjardins Group is thus duly registered as a lobby group in each of these jurisdictions, which make the subject matter of representations made by lobbyists accessible to the public.

Finally, we at Desjardins Group actively participate in public debates concerning our activities by presenting position papers and commentaries to legislative and government bodies, and by participating in events and organizing conferences. For example, in Quebec, we worked on revising the *Consumer Protection Act* in close collaboration with the *Office de la protection du consommateur*. On a federal level, we participated in the work of the expert panel devoted to reviewing federal support for research and development.

Desjardins Group does not contribute to political parties or politicians.

Human rights

Desjardins Group subscribes to the fundamental principles stipulated in the UN's *Universal Declaration of Human Rights*, the International Labour Organization's fundamental conventions, the *Canadian Human Rights Act* and the Quebec *Charter of Human Rights and Freedoms*, among other documents. This endorsement is also reflected in our policies and practices regarding our employees, members, suppliers and the communities we serve. Desjardins is keeping a close eye on these issues, especially in the areas of procurement and investment management, where they are particularly complex.

Desjardins inspectors and other security personnel are not subject to the *Private Security Act*, including the obligation to have an agent licence, as some are former police officers and most hold industry-recognized credentials.

Under the Act, persons who carry out private security activities for a single employer whose business does not consist of providing private security are not required to have an agent licence if private security is not their main line of business.

We have put together a new harmonized procurement policy for all of Desjardins Group, which is currently in the process of adoption by the boards of directors of each Desjardins Group component. It is based on the Desjardins Group *Code of Ethics and Professional Conduct* and *the Code of Conduct for Suppliers*. This code, the writing of which is nearly complete, will be gradually integrated into documents related to calls for tenders, calls for proposals, contract renewals, new contracts and other types of business documents.

Activities with a major risk of child labour

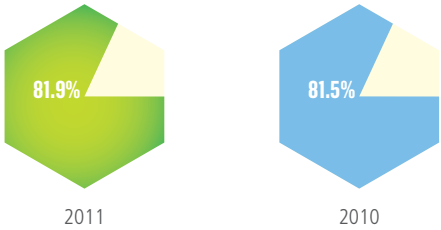
Desjardins Group's contracts with suppliers do not include provisions specifically dealing with child labour. However, they all contain a provision on respecting ethics and human rights. The new supplier code of conduct will cover the following topics: governance, labour and human rights (freedom of association, child labour, discrimination, etc.), the environment and ethics.

Privacy policy to protect the personal information of our members and clients

Aware of the crucial importance of all issues pertaining to the protection of personal information, as witnessed by the requirements set out in our code of professional conduct, Desjardins Group has adopted a privacy policy. This policy establishes the guidelines and rules that all Desjardins components must abide by with regard to member and client personal information collected, held, used or disclosed. This policy and the code of professional conduct may be consulted at www.desjardins.com/privacy.

We have created a number of training and awareness programs designed to protect the personal information of our members and clients and ensure the security of their assets. Since the end of 2009, more than 33,000 employees have learned about various aspects of information security and protecting personal information.

Desjardins information security awareness (percentage of employees)



Fraud and corruption prevention

Corruption is an operational risk that all companies face. At Desjardins, we have set up a comprehensive, effective framework to soundly manage operational risk, including corruption. Those who oversee the Desjardins operational risk framework make sure that managers take measures to prevent corruption and manage any corruption that occurs.

Furthermore, we have put in place sound operational risk governance practices that are used to identify material risks, including risks of internal fraud, and to evaluate, mitigate, and monitor these risks. These practices include the following:

- Risk and control self-assessment
- Collection of data on operational losses
- Operational risk indicators and measures
- Management of large-scale operational changes
- Follow-up on corrective measures, as necessary

All operational risk control practices and measures are intended to:

- Help managers understand the risks inherent to their activities to ensure effective risk management
- Prevent risks
- Institute the corrective measures needed to manage material risks and monitor them
- Provide adequate risk insurance coverage
- Disclose material risks

As part of the Fraud and Other Types of Losses (FAS) prevention program, each caisse, business centre and administrative centre must appoint a FAS prevention representative who is responsible for raising employee awareness about fraud and security. These representatives are supported in their efforts by a vast fraud prevention training and awareness program.

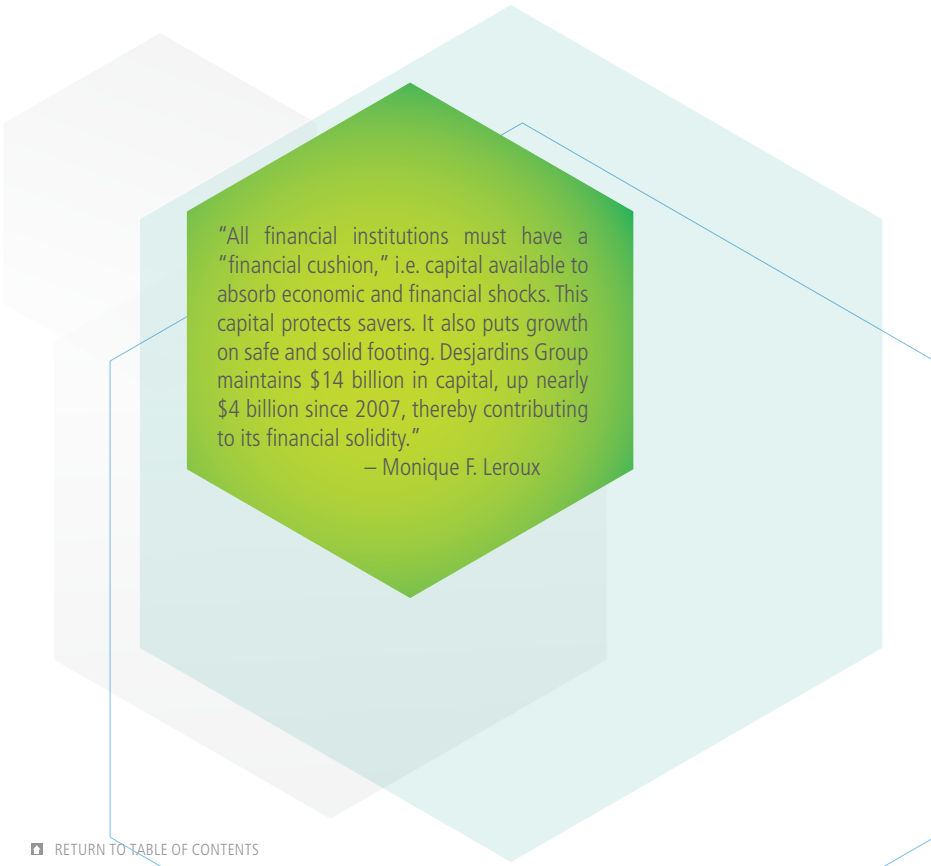
Compliance management

To manage risk related to the regulatory and legal environment, we foster a strong culture of compliance and have set up a compliance management framework to identify non-compliance risks to which Desjardins Group may be exposed, to evaluate the potential consequences of these risks and to adopt practices to manage them effectively. We actively support the authorities in their efforts to fight money laundering and terrorist financing activities. Caisse and subsidiary employees are trained to check identities and fulfil all obligations as outlined in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

1.2 CREATING A SOLID FOOTING THROUGH STRONG CAPITALIZATION

Strong capital levels are a deciding factor in the confidence placed in financial institutions. Now more than ever, credit rating agencies and the market are favouring the best-capitalized institutions. Since 2008, the global financial and economic environment has changed dramatically and profoundly due to the most serious financial crisis since the Great Depression. The financial crisis has had enormous repercussions on the stability of financial institutions around the globe.

As a result, we must continue our capitalization efforts. The still fragile financial climate and the growing requirements of regulatory authorities in this matter call for caution and foresight. Every caisse that strengthens its capital base is providing itself with a solid financial cushion that will enable it to guarantee all of its activities as well as the services it offers its members.



"All financial institutions must have a "financial cushion," i.e. capital available to absorb economic and financial shocks. This capital protects savers. It also puts growth on safe and solid footing. Desjardins Group maintains \$14 billion in capital, up nearly \$4 billion since 2007, thereby contributing to its financial solidity."

– Monique F. Leroux

2. The word "corruption" refers to "an action by a person of authority in violation of his or her responsibilities."

Because Desjardins Group is a cooperative group whose primary objective is to protect the interests of its members, we chose to increase our capitalization by paying part of our surplus earnings into the reserve and launching a Surplus Shares Program. This program allows members to convert their member dividends into equity securities to capitalize their caisse. Surplus earnings are distributed three ways:

- One third for member dividends
- One third for development
- One third for the reserve to ensure the longevity of the caisse and, by extension, of Desjardins Group

Thus, as at December 31, 2011, Desjardins Group’s Tier 1 capital ratio was 17.3%, compared with 17.7% in 2010. The level and quality of regulatory capital before deduction—which is slightly over \$16 billion, about 65% of which is from the reserves and surplus earnings—contributed to maintaining excellent credit ratings and positioning Desjardins favourably with respect to our industry peers.

Strengthening our financial foundations

To protect our members and secure our growth and viability, at Desjardins we have always made it a priority to strengthen our capital base. This practice is in keeping with the principles set forth by our founder, Alphonse Desjardins, who emphasized the importance of adequately capitalizing each caisse. In today’s economic climate where prudence is always the best policy, this approach has proven its worth many times over.

Member participation in caisse capitalization	2011	2010	2009
Permanent shares (in millions)	\$2,063	\$2,008	\$1,502
Qualifying shares (in millions)	37	37	42
Surplus shares (in millions)	110	84	64

Sharing surplus earnings

Every year, members in each caisse in Quebec decide on how the caisse’s surplus earnings will be distributed. After first ensuring that there are sufficient funds in the general reserve, the members vote on the amounts to distribute in the form of individual member dividends and contributions to the community through the Community Development Fund. It is therefore in members’ best interest to take an active role in their caisse’s meeting to have their voice heard

In Ontario, after making sure that the caisse has maintained sufficient capital and liquid assets for its operations, the caisse’s board of directors may declare and pay out member dividends.

Member dividends are paid to individual and business members based on their use of the caisse’s services. The money paid into the Community Development Fund when member dividends are distributed is used to support projects that contribute to local development.

Member dividend reserves (in millions)



Recognition of Desjardins Group’s financial stability

Desjardins has an excellent capitalization level. It was named the 16th safest financial institution in the world and 3rd safest in North America by New York magazine *Global Finance* in its August 2012 ranking. This was up from 20th place in 2011, providing members and clients with further proof of Desjardins Group’s stability.

1.3 SUPPORTING THE COOPERATIVE MOVEMENT AT HOME AND ABROAD

“In 2012, we have to look beyond local possibilities and try to make an impact on global decision-makers by showing our strength and our distinctiveness across the world. We want the public to see that the cooperative movement is present in every village, town, city and corner of the globe.” – Pauline Green, President of the International Co-operative Alliance.³

Financial support to the cooperative sector

At Desjardins Group we share our cooperative expertise and contribute financially to a number of national and international cooperative groups that are dedicated to the development of the cooperative economic model and promote cooperative education.

3. Source: <http://www.sommetinter2012.coop>, accessed on June 6, 2012.

Annual financial support for cooperative organizations in Quebec, across Canada and around the world (in millions of dollars)

	2011	2010	2009
<i>Conseil québécois de la coopération et de la mutualité</i>	\$1,097,964	\$745,702	\$633,168
<i>Conseil de la coopération de l'Ontario</i>	31,539	23,983	23,983
<i>Conseil canadien de la coopération et de la mutualité</i>	82,500	110,298	15,000
International Co-operative Alliance	161,674	73,747	77,216
International Cooperative and Mutual Insurance Federation (ICMIF)	90,725	79,661	65,000
International Cooperative and Mutual Insurance Federation/Regional Association for the Americas (ICMIF/Americas)	43,267	41,802	40,746
International Confederation of Popular Banks	37,578	36,972	38,971
European Association of Co-operative Banks	43,165	45,602	42,449
Cooperative federations – Financial support for important events and annual general meetings of federations	88,621	-	-
Total	\$1,677,033	\$1,577,767	\$936,533

Desjardins Group also supports these organizations by providing human and technical resources. We also help strengthen the cooperative economic model by sharing our know-how with hundreds of foreign visitors from around the world.

To support economic development in Quebec's outlying regions, promote diversification and the emergence of cooperatives in new sectors of activity, Desjardins has contributed financially to the partnership agreement for the development of cooperatives that was signed between the *Ministère du Développement économique, de l'Innovation et de l'Exportation* and the *Conseil québécois de la coopération et de la mutualité*. Bolstered by the success of the program, Desjardins has renewed the partnership through 2014.

Sharing our cooperative know-how around the world through DID

For over 40 years, Desjardins has been supporting the creation and development of local financial institutions in developing and emerging countries through *Développement international Desjardins* (DID). Through its work, DID helps make a range of safe, customized financial services available to disadvantaged people around the world. A pioneer in the extension and development of microfinance around the world, DID is now a global leader in microfinance with a team of more than 100 employees.

In 2006, local financial institutions that partner with DID decided to join forces to form an international network called Proxfin. The purpose of the network is to promote communication and dialogue between its 25 member institutions and to spread micro-finance best practices.

All Proxfin member institutions integrate the principles that are the basis for the cooperative model, i.e. governance based on transparency and representation of the interests of members and clients, local ownership, community roots and outreach, and intercooperation. Today, most of these institutions are leaders in their respective countries when it comes to access to financial services, as shown by the following examples.

The RCPB network in Burkina Faso

Providing financial services to all

In 1972, DID set up the first cooperatives of what would become the *Réseau des caisses populaires du Burkina Faso* (RCPB) in West Africa. Today, 75% of Burkinabés with access to financial services do business with the RCPB. The network has 175 service outlets, 1,000 employees and assets worth C\$253 million. It provides 1.7 million members (nearly 40% of whom are women) with diversified, quality financial services in both rural and urban areas. The RCPB is also a member of the *Confédération des institutions financières*, a group of six cooperative networks from five West African countries, that is itself a DID partner institution.

The Vietnam Association of People's Credit Funds

Serving rural populations throughout the country

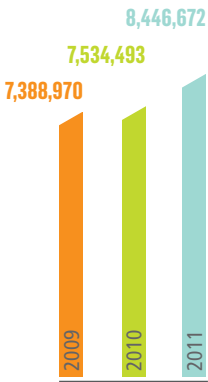
At the urging of the Vietnamese, who wanted to set up their own financial institution inspired by the cooperative model promoted by Desjardins Group to improve access to financial services, DID helped create and develop a cooperative network in Vietnam (People's Credit Funds). It is now the largest microfinance network in Vietnam and, thanks to DID, it carries out transactions between cooperatives. In fact, nearly 100,000 transactions totalling C\$235 million were performed between members from August 2010 to December 2011. The 1,071 cooperatives and service outlets in the People's Credit Funds network, many of which are in rural areas, reach 1.6 million Vietnamese.

Lithuanian Central Credit Union

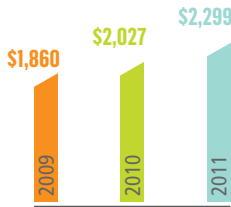
The only locally owned financial institution in Lithuania

To extend access to financial services to all Lithuanians and improve the quality of financial products and services available in the country, DID helped set up a cooperative network in Lithuania in 1994. Today this cooperative network is the only locally owned financial institution in Lithuania since all banks operating there are foreign owned. It therefore provides key leverage for the country’s socio-economic development. Despite its short history, the institution already has an excellent reputation and the opinions of its managers are regularly sought on questions related to development of the country’s financial sector.

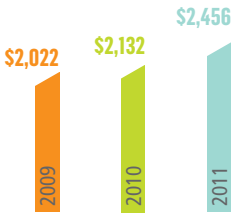
Contribution to the development of financial cooperatives in emerging countries



Number of members or clients of *Développement international Desjardins* partner institutions



Volume of savings for these institutions (in millions of dollars)



Volume of credit outstanding (in millions of dollars)





A GROUP PROUD OF ITS COOPERATIVE NATURE

2 PROSPERITY OF INDIVIDUALS

Since its inception, Desjardins Group has contributed to the prosperity of individuals by respecting cooperative values in meeting the needs of its members and clients. This approach means offering diverse products and services that are safe and accessible, as well as supporting development in the communities where Desjardins operates.

2.1 WORKING IN THE INTEREST OF OUR MEMBERS AND CLIENTS

Our commitment to our members and clients

Desjardins Group was created to meet the needs of its members. After 111 years of existence, that is still our primary vocation and raison d'être. This spirit is what drives our commitment to our members and clients. Our core value—"money at the service of human development"—takes on its full meaning through the resources we channel toward meeting people's needs to the best of our abilities and through our determination to serve their interests first.

Our commitment is also reflected in our operating rules that are specific to cooperatives, and in our commercial practices that, to this day, are still characterized by:

- The considerable physical and social accessibility of the financial products offered
- The education and information provided to members, which guides them in making enlightened financial decisions
- Solidarity with people who are in difficulty
- Community development with a focus on sustainable development
- Primary consideration for the interests of members and clients in the product and service offering

In this International Year of Cooperatives, we at Desjardins Group are proud to offer our members and clients a distinctive approach that always places their needs at the centre of our actions.

Member and client satisfaction

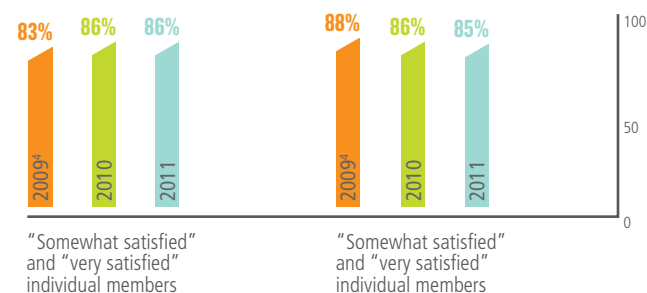
In an ongoing effort to improve our financial services and products and our internal processes, the caisse network and our various business sectors carry out surveys to measure member and client satisfaction. The comments gathered during these surveys give us indications of what we should improve or change and allow us to check whether we have met expectations.

Clients who declared themselves somewhat, very, or completely satisfied in surveys (as a percentage) ⁴	2011	2010	2009
Caisse network – Individual members	96	96	93 ⁵
Caisse network – Business members	91	91	91 ⁵
Desjardins Financial Security – Individual clients	90	91	91
Desjardins Financial Security – Business clients	93	91	93
Desjardins Private Management	94	93	93
Desjardins Securities	79	-	79
Disnat	-	95	-
Desjardins General Insurance Group	93	94	94

For the third year in a row, Disnat, our brokerage subsidiary, received the highest satisfaction rating among discount brokerage firms in Canada,⁶ according to a study conducted by J.D. Power and Associates.

Our members appreciate our cooperative difference

Each year, members are also surveyed on their satisfaction with respect to Desjardins Group's cooperative difference. This survey addresses accessibility, primary consideration for members' interests, the ability to influence major decisions, community involvement, financial information and the financial advantage of doing business with Desjardins. The new Co-opme Program aims to make this distinction even more apparent to our members and stakeholders.



4. These results were obtained using different methods and therefore cannot be compared to each other. They represent the total number of "somewhat," "very" and "completely satisfied" responses on scales of four, five or ten points.

5. Data from 2009 are not comparable with data from 2010 or 2011 because they were obtained using a different methodology.

6. Disnat received the highest score out of 12 discount brokerage firms in the J.D. Power and Associates 2011 Canadian Discount Brokerage Investor Satisfaction Study. This study was based on 3,358 responses measuring investor satisfaction and experience. Its results are based on the experiences and perceptions of clients surveyed in May and June 2011. Your experience may differ. Visit Jdpower.com/ca.

Products and services that set Desjardins apart from other financial institutions

Solidarity products and services

Like other financial institutions, at Desjardins we offer our members and clients a complete range of traditional financial services and products. At the same time, we are the only financial institution in Quebec to offer products that are part of the solidarity finance trend. These products were developed to reflect the values of solidarity, cooperation and proximity that characterize our cooperative vision. In concrete ways, these products strengthen our efforts to improve Canadians' financial education, foster social integration, create jobs and fight poverty.



Desjardins Mutual Assistance Funds

For over 10 years, Desjardins Mutual Assistance Funds have been providing financial education and support through a comprehensive approach involving local and regional community service organizations. Every effort is made to support individuals and to help them regain confidence in their ability to properly manage their personal finances and become informed consumers.

Target clientele

Individuals who are experiencing financial difficulties and who are excluded from traditional credit networks. The current clientele is essentially made up of single women and single mothers.

Eligibility criteria

Become a member of a participating caisse and be able to repay a tide-over loan.

Parties involved

Desjardins caisses, group caisses, budget consulting organizations and the *Fédération des caisses Desjardins du Québec*.

Solutions

- An interest-free tide-over loan repayable over 24 months, depending on the individual situation. The average loan is \$575 and the main reasons for borrowing involve transportation, housing and healthcare expenses
- Budget advisory services, either free or priced, based on the individual's income

If people subsequently find themselves in financial trouble again during the repayment period, a new budget can be established and the payments spread over more than 24 months. The amount of the monthly payments may also be reduced.

Results

To date, nearly \$3 million has been loaned out, and the average repayment rate is 85.6%. More than 50,000 people have had access to unbiased information to help them improve their financial knowledge. Desjardins Mutual Assistance Funds have also contributed to the financial stability of the budget consulting organizations, which were able to hire an employee to work exclusively on the program.

Observations and areas for improvement

After increasing since program inception, caisse participation dropped slightly in 2011 due to the expiry of one of the agreements in place. Loan applications were also down in 2011.

We reviewed the program to see whether, after ten years in existence, it still meets its objectives of providing financial education and a safe alternative to loan-sharking. In light of the positive findings, we modified the parameters and income scale to encourage the program's long-term viability.

We also observed that the program is not as well adapted to very large regions. We will continue working to find a satisfactory solution to specific regional needs in 2012.

Desjardins Mutual Assistance Funds (DMAF)	2011	2010	2009
Participating caisses	62.3%	63.6%	61.0%
Number of loans granted through a DMAF	668	705	703
Amounts loaned	\$387,788	\$409,103	\$433,150
Recovery rate	82.7%	82.0%	83.0%

Home microinsurance

Following a series of fires in uninsured homes, the City of Trois-Rivières sought to prevent other families from enduring similar situations.

Target clientele

Households that have no home insurance for various reasons (e.g. cost, inability to find a company willing to insure their property on account of risks associated with their neighbourhood).

Parties involved

The city of Trois-Rivières through its fire department, community-based organizations, four Desjardins caisses, Desjardins General Insurance and one insurer.

Solutions

- Low-cost home insurance covering property up to a maximum value of \$15,000
- Distribution of free smoke detectors
- Free budget consultation

Results

Success was immediate, and people were very proud to be able to insure their personal property at last. Their sense of security increased considerably and was further reinforced by the expression of community support.

Observations and areas for improvement

- We note that there are still numerous prejudices toward low-income households. However, the repayment rate shows that such households are able to assume their responsibilities once products have been adapted to their financial capabilities.
- We also observed that certain problems arose when these clients returned to traditional insurance products. Some of them could not handle the increased premiums and ended up back at square one, i.e. with no insurance coverage. We will take this into consideration when we reflect on how to help program beneficiaries keep up their insurance afterwards.
- The fire department's participation must be maintained in order to reach new tenants and owners who move into the neighbourhoods in question. The City's willingness to continue its involvement is crucial to the ongoing success and viability of this initiative.
- Variations in the number of files can be explained by changing tenants in the targeted neighbourhoods from one year to the next.

Home microinsurance	2011	2010	2009
Number of files	54	59	57
Amounts loaned	\$11,050	\$11,800	\$11,446
Repayment rate	91%	96%	98%

Desjardins Microcredit to Businesses

This microfinance product has been available in the caisses since 2004.

Target clientele

Micro-entrepreneurs and self-employed workers who are excluded from traditional credit networks.

Eligibility criteria

Have a viable business project and a place of business in an area served by a participating caisse.

Parties involved

Desjardins caisses, community credit partners (loan funds) and the *Fédération des caisses Desjardins du Québec*.

Solutions

- Average loan of \$5,000 repayable over a maximum of five years at the prime rate plus 2% to 5%
- Guidance in becoming an entrepreneur and applying acquired knowledge to personal finance management

In the event of default, the repayment due date may be postponed or the monthly payments reduced, or both. In addition, personalized support services or training on specific aspects of business management may be suggested.

Results

A new agreement was concluded in 2011, and the program may soon be extended to Montreal Island. In that case, the number of participating caisses will double.

Observations and areas for improvement

The decrease in the amount of financing granted in 2011 can be explained in part by a decline in the number of loan applications in 2011 as well as by the fact that fewer entrepreneurs met community credit network eligibility criteria. We hope to find the root causes for the decrease in 2012.

Desjardins Microcredit to Businesses

	2011	2010	2009
Participating caisses	8.8%	8.0%	5.0%
Financing granted	\$55,000	\$129,500	\$285,526

CRÉAVENIR

Desjardins seeks to offer a complete range of financial products to meet the specific needs of young people.

Target clientele

Young people between the ages of 18 and 35 who wish to start their own businesses (private corporations or cooperatives). For lenders financing these projects, CRÉAVENIR creates a leverage effect.

Parties involved

Desjardins caisses and regional economic development organizations.

Solutions

- A grant of up to \$7,200 and a maximum loan of \$15,000 repayable over five years
- No payments during the first year
- No guarantees or capital outlay required from project proponents

In the event of default, the repayment due date may be postponed or the monthly payments reduced, or both. In addition, personalized support services or training on specific aspects of business management may be suggested.

Results

Given the financial needs that characterized 2011, the year saw an increase in grant amounts and a decrease in loan amounts. New products and services are now available for food service, consulting, agriculture and healthcare businesses—19 programs are currently under way.

Observations and areas for improvement

We plan to review and improve CRÉAVENIR's income scale and reintroduce the short training courses that were available when the program was first launched.

CRÉAVENIR	2011	2010	2009
Participating caisses	22%	19%	21%
Amount of loans	\$458,178	\$527,750	\$497,025
Amount of grants	\$149,914	\$189,973	\$174,821

The Desjardins Aid Fund

The Desjardins Aid Fund (the "Fund"), established by Desjardins General Insurance Group, is based on the values of mutual assistance and solidarity. It aims to strengthen DGIG's cooperative difference within Desjardins Group. The fund provides special financial assistance to target clients who find themselves in a precarious financial situation following a disaster not covered by their insurance policy.

Target clientele

Policyholders of Desjardins General Insurance, a subsidiary of Desjardins General Insurance Group, and Desjardins Group members in Quebec.

Party involved

Desjardins General Insurance Group

Solution

The Fund has an annual budget representing 1% of DGI's net income, up to \$1 million.

Observations

A review was conducted at the end of 2011 to make the Fund more accessible and to expand its areas of intervention. The Fund will now offer financial assistance not only to specific individuals, but also to communities in difficulty. The proposed changes were approved by Desjardins General Insurance Group's board of directors and took effect in early 2012.

Social and environmental products and services

Socially responsible investing (SRI)

Desjardins Group offers investment products deriving from companies whose practices clearly demonstrate their sense of social responsibility and their respect for the environment. To be eligible for Desjardins SRI funds, companies must go through a standard verification process that analyzes financial criteria, as well as a more rigorous analysis based on environmental, social and governance (ESG) issues. In addition, since 2010, the Desjardins Environment Fund has been a signatory to the Principles for Responsible Investment, a United Nations initiative that advocates the integration of ESG issues into investment practices.

SRI funds outstanding represent 4.87% of the total assets of Desjardins Funds. The target for 2010-2012 was 4.7%.

SRI funds outstanding (in millions of dollars)	2011	2010	2009
Desjardins Environment Fund	179.6	200.9	149.9
SocieTerra Portfolio – Secure Market Fund	73.1	44.5	12.3
SocieTerra Portfolio – Balanced Fund	195.9	116.3	34.6
SocieTerra Portfolio – Growth Fund	139.0	101.5	45.6
SocieTerra Portfolio – Growth Plus Fund	58.1	42.6	16.7
Total	645.7	505.8	259.1

For Desjardins Funds, socially responsible investing (SRI) is based on four strategies:

- Excluding companies whose revenue comes from the nuclear, tobacco or arms industries (exclusion screening)
- Selecting companies through an ESG evaluation. The Desjardins Environment Fund uses customized research and complies with the Desjardins Funds environmental assessment policy. This research is presented to the members of the Desjardins Funds environmental advisory group. This group, consisting of independent experts, issues recommendations regarding companies' eligibility in terms of environmental considerations, which helps to narrow the field of investment, and also evaluates them according to financial criteria (inclusion and exclusion screens). The SocieTerra portfolios consist of the Desjardins Environment Fund and specific funds from our partner NEI Investments, which offers the Ethical Funds. ESG evaluations are carried out on all of these funds
- Influencing portfolio companies through shareholder engagement, which is based on dialogue, shareholder proposals and voting
- Working with other responsible investors in national and international organizations to promote SRI

In terms of shareholder engagement, nine companies representing more than 34% of fund assets were targeted for the Desjardins Environment Fund in 2011. For the SocieTerra portfolios, which include the Ethical Funds and Desjardins Environment Fund, discussions were held with 17 companies.

For Desjardins Private Management, SRI is mainly characterized by the following:

- A portfolio based on shares in companies that meet ESG criteria
- Real power to bring about change thanks to a rigorous, transparent SRI process and ongoing dialogue with companies

The Desjardins Group Pension Plan (DGPP) also adopted a socially responsible investment policy in 2009. To implement this policy, the DGPP has taken the following steps:

- Updated its acquisition process to include selection criteria based on ESG factors. To this end, all portfolio managers must demonstrate that decisions regarding securities selection take environmental and social issues into consideration. They must also ensure that the companies in which they invest have good governance, in particular with respect to executive remuneration (e.g. stock options) and the equitable treatment of employees
- Made its partners aware of the importance of integrating ESG factors when selecting their securities and investments

The DGPP would like all of its portfolio managers to adhere to the UN Principles for Responsible Investment. In 2010, two of the main DGPP managers signed on to these principles, as well as nine others in 2011.

Proxy voting rights policy

As manager of the Desjardins Funds, Desjardins Investments Inc. has proxy voting rights at the shareholder meetings of the companies in which these Funds own stock. It votes on the various motions proposed at those meetings on behalf of all Desjardins Funds investors as well as investors in individual funds and portfolios managed by Desjardins Investment Management and offered through Desjardins Private Management services. The *Fédération des caisses Desjardins du Québec* carries out this task in compliance with a policy that governs the proxy voting rights for Desjardins Funds and with a policy for Desjardins Private Management. These policies reflect Desjardins Group's values and our commitment to sustainable development, while protecting the long-term interests of investors. The policies also discuss the rules of sound governance for corporations as well as their social responsibilities with respect to human rights, sustainable development and support for the community.

As far as management of the DGPP is concerned, the voting rights are currently delegated to each of the Plan's portfolio managers. However, the Desjardins Group Retirement Committee approves their voting rights policy. This policy must meet the Plan's criteria, which are based on the environmental, social and governance factors of the Plan's socially responsible investment policy. The Committee can always intervene and exercise the voting rights directly, if it deems it appropriate, in certain matters that involve important issues relating to governance or to social values that are important to Desjardins. All managers must produce an annual report explaining how they exercised their voting rights and submit it to the Desjardins Group Pension Plan.

The voting rights policy that applies to the assets of the Desjardins Funds and of Desjardins Private Management may be viewed at the following addresses:

www.fondsdesjardins.com/en/information/droit_vote_en.pdf

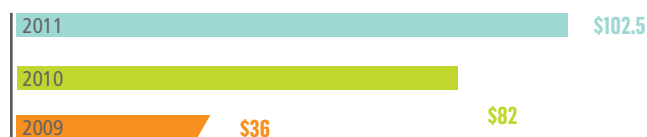
www.gestionpriveedesjardins.com/en/gestion/droit_vote_gpd_en.pdf

Global Equity Guaranteed Investment – To fight climate change

Launched in June 2006, the Global Equity Guaranteed Investment has been taking the repercussions of climate change into consideration since March 2009. It allows members to profit from the growth of businesses that are well positioned with respect to the various effects of climate change. While a number of businesses selected meet SRI criteria, Desjardins may also include businesses that do not meet those criteria but do support climate change initiatives. Businesses are selected according to factors such as the following:

- Improving the energy efficiency of their customers
- Supplying equipment for producing wind energy
- Manufacturing energy-efficient construction materials
- Generating energy and low-carbon electricity
- Manufacturing solar panels
- Manufacturing vehicles with low fuel consumption
- Committing to reducing the company's environmental impact

Global Equity Guaranteed Investment (in millions of dollars)

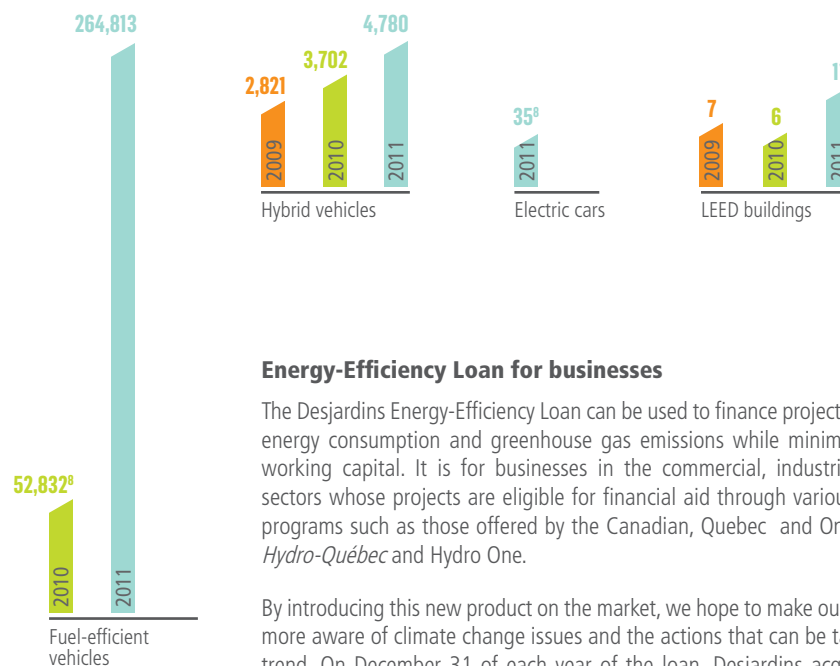


Green savings

At Desjardins, we believe that part of our mission is to encourage consumers to adopt environmentally friendly behaviour. For example, since 2011, Desjardins General Insurance has offered a new "Green Savings" on premiums for electric cars (20%) on top of existing promotions on fuel-efficient cars (10%) and hybrid vehicles (15%). As for LEED-certified (Leadership in Energy and Environmental Design) homes and businesses, their owners are also entitled to a 10% discount on their premiums.

Green Savings

Number of vehicles or buildings eligible for a discount



Energy-Efficiency Loan for businesses

The Desjardins Energy-Efficiency Loan can be used to finance projects aimed at reducing energy consumption and greenhouse gas emissions while minimizing the effect on working capital. It is for businesses in the commercial, industrial and agricultural sectors whose projects are eligible for financial aid through various energy efficiency programs such as those offered by the Canadian, Quebec and Ontario governments, *Hydro-Québec* and *Hydro One*.

By introducing this new product on the market, we hope to make our business members more aware of climate change issues and the actions that can be taken to reverse this trend. On December 31 of each year of the loan, Desjardins acquires carbon offset credits on the company's behalf for an amount equivalent to 0.5% of the balance of the Energy-Efficiency Loan, up to a maximum of \$7,500. The amount is increased by 25 basis points (0.25%), up to a maximum of \$3,750, if the company also takes out loan insurance with Desjardins Financial Security.

Sales results to date testify to the need to boost awareness to encourage businesses to get on board with energy efficiency, be it for financial reasons (savings) or environmental reasons (reduction of greenhouse gas emissions).

VISA Desjardins Affinity cards

Some VISA Desjardins credit cards enable cardholders to support, through their purchases, organizations with a social or environmental vocation, such as *OXFAM-Québec* or the *Fondation de la faune du Québec*. Desjardins Card Services undertakes to make a contribution to the organization in question based on a percentage of the purchases charged to these cards. In certain cases, an annual donation to the organization is also deducted from the card. For a complete list of VISA Desjardins Affinity cards, visit the Products and services section on Desjardins.com.

7. These discounts are currently available for the Quebec market. Other discounts apply outside Quebec.

8. The discount for fuel-efficient cars was launched in August 2010 and, for electric cars, in February 2011.

BONUSDOLLARS

Since 2009, VISA Desjardins cardholders have been able to donate their BONUSDOLLARS to organizations that are important to them, such as *Équiterre*, Planetair and the David Suzuki Foundation.

VISA cardholders with the BONUSDOLLARS option who wish to do their part for the environment can also exchange their BONUSDOLLARS for carbon offset credits from the organization Planetair. These credits are used to finance projects designed to replace polluting technologies with clean, renewable energy, whether here at home or in developing countries.

Financial security products designed to help members and clients through difficult times

We also offer our members and clients a range of products ensuring them the peace of mind required to weather difficult moments in life.

Product	Description
SOLO	The SOLO range of disability insurance products was designed for self-employed workers, business owners and employees who do not have group insurance coverage.
Critical illness insurance	<p>This critical illness insurance protection is unique on the market, covering up to 33 illnesses and surgical procedures.</p> <p>Reimbursement of costs of home care services, certain nursing services and the support of specialized personnel who assess insured individuals' needs and help them find appropriate home care services in their area.</p> <p>Total annual premiums as at December 31, 2011: \$37,233,000</p>
Independent Living Insurance and Vision Independent Lifestyle Solution	<p>Coverage that includes a monthly benefit to help insured individuals to bear the costs resulting from the loss of physical or mental independence.</p> <p>Assistance services offered to caregiving families to prevent exhaustion, stress, social isolation and financial problems.</p> <p>Total annual premiums as at December 31, 2011: \$4,909,000 for Independent Living and \$1,140,000 for the Independent Lifestyle Solution</p>
GetWell Insurance	<p>Protection providing insured individuals with \$25,000 on the first diagnosis of cancer.</p> <p>For every new contract, Desjardins Financial Security makes a donation to the Canadian Cancer Society. In 2011, \$28,737 was donated.</p> <p>Total annual premiums as at December 31, 2011: \$3,359,000</p>
Health is Cool 360°	In partnership with Novus Health, ⁹ Desjardins offers employers a new tool enabling their employees to better take care of their health on a day-to-day basis. Employers can keep a better handle on costs related to employee absenteeism and health problems.
Assistance services	All life and health insurance contracts available to caisse members include various types of assistance services to help them through difficult or problem situations.

9. Novus Health is a Canadian company that offers healthcare assistance solutions online and by phone.

Managing environmental risk related to business credit risk

At Desjardins we include an environmental risk analysis in our assessment of business credit risk. This analysis deals with the risk of operating a business, i.e. its sector of activity, its ability to manage environmental risks and the characteristics of its operations. The first step is to identify the company's sector of activity and then to carry out an analysis based on the risk level inherent in this sector.

For the commercial, industrial and real estate sectors, should the information collected from companies be insufficient, Desjardins evaluates their environmental compliance. In certain cases, a Phase 1 environmental site assessment is required for the company to obtain financing. The purpose of this assessment is essentially to spot real or potential contamination risk indicators on a site.

For the agricultural industry, environmental compliance is verified by obtaining a copy of the business's agro-environmental fertilization plan (Quebec) or nutrient management strategy or plan (Ontario).

Risk management in the property and casualty insurance sector

All products and projects deemed to have high-impact social or environmental risks are subject to a risk analysis. Also, the actuarial services sector includes climate change scenarios in its annual Dynamic Capital Adequacy Testing in order to test the impact of a number of climatic events.

2.2 CREATING INNOVATIVE WAYS OF MAKING OUR SERVICES AND PRODUCTS EVEN MORE ACCESSIBLE

Changing the habits of caisse members

In the last 20 years, the habits and needs of our members have shifted considerably from teller transactions (cashing cheques, making deposits, etc.) to electronic transactions (virtual transfers, e-statements, etc.). As a result, we have had to adapt to changing behaviour associated with this increased use of virtual transactions. In fact, transactions carried out via the Internet have increased exponentially just in the past 10 years, and this growth has translated in fewer visits to the caisses and ATMs.

Nevertheless, we are aware of the concerns that communities have when a point of service has to be closed, and of the effects of such closures on the communities. This is why at Desjardins we have wasted no time in establishing innovative partnerships with local communities to reorganize services and put in place new infrastructures. In addition, the Desjardins caisse network has developed, in every case, a plan involving an overall assessment of the socio-economic situation of the community where the point of service in question is located, as well as consultations with the community to determine the best possible solution.

With this in mind, here are the principles that we consider when making decisions, and which invoke the responsibility of both the financial services cooperative and of its members:

- All caisse members enjoy democratic rights and, in return, agree to become involved in their cooperative's development by using its services. In doing so, they contribute to the development of their community.
- To effectively fulfil their mission, the cooperatives must also concern themselves with their financial soundness (capitalization, solvency, profitability); this is necessary to their success, although not their *raison d'être*.
- As cooperative businesses, the caisses must make financial services accessible to their members while complying with the principles of equity and solidarity. They are committed to the development of their communities, but they are not charities. This means that, as a matter of fairness, all members or groups of members must bear the costs that are inherent in the services they use. As users, they benefit from their cooperative and from a fair redistribution of its returns, according to the use they make of it. Members who entrust their savings to their caisse and use its services for all of their financial transactions participate in the prosperity of their caisse.

The caisse cannot contemplate providing its services at a loss to specific groups over the medium and long terms without jeopardizing the equity of its practices towards the entire membership, as well as the balance between its income and its expenses.

Desjardins is the financial institution with the greatest presence in Quebec, with more points of service than all the banks combined. In 2011, we tried out a new distribution model aimed at adapting our service offer to our members' needs and to the client base in areas with low population density. This new model has proven effective. Over the next few years, diverse forms of partnerships may be introduced to maintain local service.

Newcomers and cultural communities

Since 2011, the "Newcomers to Canada" section on Desjardins.com has featured a caisse locator that lets members choose a caisse based on the language in which they wish to be served. Members can also select on Desjardins.com a caisse according to 49 different languages, including sign language. Our members are also served by caisses that cater to cultural communities (Chinese, Italian, Lithuanian, Polish, Portuguese and Ukrainian) with 14 points of service. *Carrefour Desjardins* has a team assigned exclusively to helping newcomer clients.

Newcomers have numerous needs and challenges upon arrival in their adoptive country. They must find housing, food and employment and integrate quickly into their new environment, all of which entails an acceleration of their financial lifecycle.

Aware of what newcomers face, Desjardins Group has implemented measures to support them in this new stage of their lives by:

- Easing eligibility criteria for credit solutions adapted to their needs
- Redesigning the information section for newcomers on Desjardins.com

Aboriginal communities

Since 2007, following a pilot project launched by the Kativik Regional Government, the Local Development Centre, the *Fédération des coopératives du Nouveau-Québec* and the *Caisse d'économie solidaire Desjardins*, the 14 communities of Nunavik have had access to Desjardins financial services. As at December 31, 2011, there were 4,071 individual members and 64 member organizations. Five of the 14 villages are served by seven employees, who are either bilingual or trilingual. Our online services provide additional access to financial services north of the 55th parallel. For more information in French, English and Inuktitut, visit Nunavikfinancialservices.coop. First Nations also have three caisses and three points of service in their territory. In addition, 36 caisses are located near an aboriginal community.

Support for aboriginal entrepreneurship

In collaboration with the caisses in Saguenay–Lac-Saint-Jean, Desjardins Group took on an important leadership role in establishing the *Fonds de garantie de prêts de Mashteuiatsh*. This fund of nearly \$4.3 million aims to provide entrepreneurs in this community with loan guarantees of up to \$500,000 for authorized traditional financing. This initiative was made possible through the participation of the Mashteuiatsh Band Council and Rio Tinto Alcan. The fund is an additional tool through which we demonstrate our desire to bring together community forces while supporting Mashteuiatsh entrepreneurs in developing their current and future businesses.

An incomparable advisory team

At Desjardins Group, our strengths are also due to an advisory team made up of nearly 1,500 financial planners, 316 real estate investment advisors, almost 8,000 group savings representatives and 3,000 personal finance advisors, 285 financial security advisors, 200 mortgage representatives, 1,010 business account managers and 1,250 general insurance agents—all at the service of our members and clients.

In Ontario, at the end of 2011, the caisse network consisted of approximately 20 caisses and 38 service centres, for a total of 58 points of service. Desjardins also has an agreement with the *Alliance des caisses populaires de l'Ontario limitée*. In other parts of Canada, we rely on synergy with the cooperative community, with caisses in Manitoba and Acadia, and with our subsidiaries to provide our members and clients with financial services tailored to their needs, thereby contributing to the sustainable prosperity of communities. In addition, our members visiting or doing business in the United States can count on Desjardins Bank and the *Caisse centrale Desjardins* U.S. Branch.

In acquiring Western Financial Group Inc. and MGI Financial Inc. in 2011, we strengthened our presence across Canada. Different strategies from representatives of all Desjardins business sectors with regard to credit unions, cooperatives, governments, Crown corporations, businesses, etc., are rolled out on an ongoing basis. Working together with all of the entities within Desjardins Group, the Calgary office, which specializes in capital markets, provides considerable support for developing our business with financial and non-financial cooperatives and other companies in western Canada.

Desjardins Group has always adapted to changes in the Quebec society. In this spirit, we presented our recommendations to Quebec government representatives at parliamentary committee hearings on Bill 34, which seeks to sustain regional vitality and populations

We recommended that the Quebec government:

- Put in place a legislative framework for the creation of multi-service cooperatives providing local services
- Develop a digital plan and encourage the adoption of regional digital plans
- Explore the sharing of the development of a technological infrastructure network that provides individuals with access to various services
- Support the design of a joint collaboration platform to manage regional and municipal data, which would be accessible to major socio-economic partners

Desjardins intends to cooperate in implementing these measures.

Data on the physical and social accessibility of our services and products

- Use of *Desjardins.com* has been made easier for the visually impaired by adapting over 40,000 pages of information, in English and French, to make them readable with either a text-to-Braille or text-to-speech screen reader.
- The Desjardins AccèsD Services client contact centres are still the international benchmark among financial institutions, having obtained Customer Operation Performance Center (COPC) certification in 2011 for the eighth year in a row.
- The 2,559 ATMs operated by the Desjardins network are accessible to people with visual impairments and reduced mobility.
- Thanks to Desjardins mobile services, members can safely conduct many regular financial transactions and obtain financial information anywhere, using their mobile device. Within a year of the service being introduced, 195,000 users had carried out more than 22 million transactions.¹⁰
- In order to make our premises accessible to people with reduced mobility, we recommend that current regulations be followed and, wherever possible, we use universal design principles to provide safe and barrier-free access to our existing buildings, new constructions and renovations of network service outlets.
- Members who are unable to use automated teller machines due to a permanent disability of any sort are entitled to pay automated service rates even if they carry out their transactions at the counter.
- Desjardins is the only financial institution in Canada to offer a basic transaction plan for less than \$3, which enables low-income clients to benefit from financial services.

10. Due to the rollout of the Desjardins Group Website Merger Project, certain transactions are no longer logged, unlike data published in the 2011 Annual Report, and are instead included in AccèsD transactions.



2.3 MAJOR COMMITMENTS TO EDUCATION AND COOPERATION

Co-opme – the Desjardins Group educational and cooperative program

Desjardins has chosen to focus on education and cooperation, two driving forces of sustainable prosperity for individuals and communities alike. In 2011, Desjardins Group's commitment to education and cooperation was bolstered with the launch of the Co-opme Program, which allowed us to step up our financial education efforts. At Desjardins we believe that responsible money management is crucial to achieving greater personal financial independence and entrepreneurial success. In addition to its financial education component, the Co-opme Program also includes a number of initiatives related to general, civic, democratic and cooperative education.

Financial education: at the core of Desjardins's mission since the beginning

Consumers' high debt levels and their weak propensity to save are just two reasons why we at Desjardins decided to step up our many educational initiatives, especially when it comes to financial education. We believe that people could make better choices about their savings and investments—and even avoid being victims of fraud—if they had a better understanding of financial matters. Our financial literacy initiatives therefore target all age groups and address all aspects of finance.

The new Desjardins Education and Cooperation Zone – Desjardins.com/coopme

Desjardins has always encouraged people to adopt healthy financial habits. In 2011, we launched a dedicated education and cooperation space on Desjardins.com. This new zone is divided into three parts:

1. A financial education section featuring action plans and advice for Desjardins members and clients, as well as for people who are simply seeking information about specific financial matters. Topics include financial management, credit and debt, savings and investment, fraud protection and insurance.
2. An interactive section featuring blogs (e.g. "Youth" for young people age 18 to 30 and "My Finances") where the public can communicate with Desjardins experts on a range of topics, including Desjardins initiatives.
3. A cooperative section that highlights the Desjardins cooperative difference by presenting inspiring initiatives such as *Fondation Desjardins* and the Desjardins Personal Finance Index.

First Canadian index of personal finances on *Desjardins.com*

Our index of personal finances is an original self-assessment tool that allows individuals to compare themselves with the rest of the population. This comprehensive yardstick provides an integrated assessment of people's aptitudes for managing their personal finances. It covers two basic dimensions: knowledge and behaviour.

Fondation Desjardins: Supporting higher education and entrepreneurship for over 40 years

Fondation Desjardins aims to set the standard for financial, democratic, cooperative and economic education in the Canadian philanthropic sector. It is a leading partner in helping young members of the next generation achieve their dreams and ambitions. Thanks to its collaboration with Desjardins caisses and affiliates, it is a source of pride and empowerment for Desjardins elected officers and employees and contributes to realizing the Desjardins Group vision.

Scholarships, bursaries and awards granted by *Fondation Desjardins* (in dollars)¹¹

	2011	2010	2009
University scholarships	\$540,925	\$539,700	\$507,500
Scholarships and bursaries to support non-university training	109,750	69,856	92,500
Scholarships and bursaries to support the cooperative spirit	67,864	63,444	49,700
Awards recognizing volunteer work	35,000	35,000	35,000
Awards supporting entrepreneurship (including sustainable development)	50,000	40,000	30,000
Total number of scholarships, bursaries and awards granted	322	311	323
Total value of scholarships, bursaries and awards granted	\$803,539	\$748,000	\$714,700

11. These data do not include scholarship and bursary programs offered by the caisses, the Federation or the subsidiaries.

School and Student Caisse

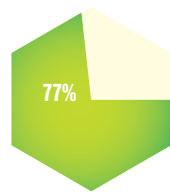
Created in 1907, the School Caisse program children about saving to help them better understand the basics of financial independence. Using educational kits and activities, the program seeks to:

- Help young people become independent, responsible and competent
- Spark their interest in cooperative values
- Foster their awareness of the importance of sound financial management

In 2011, we reviewed our educational material to ensure compliance with the provisions of the *Consumer Protection Act* regarding advertisements targeting children below 13 years of age.

Desjardins is also present in high schools through the Student Caisse, a mini Desjardins caisse managed and operated exclusively by student volunteers under the authority and supervision of a local Desjardins caisse. Student Caisse services are designed for students and their associations. Student caisses are, first and foremost, an educational program that introduces young people to financial cooperative management and prepares them to become responsible and involved consumers.

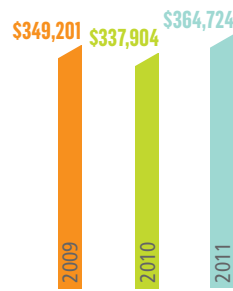
School Caisse program – Youth financial education program¹² (Quebec and Ontario)



Percentage of caisses offering the School Caisse program



Schools with a school caisse



Total value of youth dividends paid to school caisse members (youth age 5 to 12 in Quebec and age 5 to 14 in Ontario)

Other youth financial education initiatives

- Presentation of the Paul Gérin-Lajoie dictation contest (*Dictée P.G.L.*): In 2011, Desjardins and *Fondation Paul Gérin-Lajoie* signed a five-year partnership agreement. The dictation contest and related activities initiate young people to international realities, heighten their environmental awareness and, since 2011, introduce them to basic financial concepts
- Desjardins NaturLogic contest (<http://www.desjardins.com/en/particuliers/clienteles/enseignants/concours/ecolelogique.jsp>)
- Desjardins School Caisse contest
- Presence in secondary schools: an increase in the number of youth representatives, which resulted in over 60 educational initiatives that reached more than 1,000 students in 14 schools
- Official sponsor of the *Réseau intercollégial des activités socioculturelles du Québec* (www.riasq.qc.ca)
- Young Intern Officer program, an introduction to the work of a Desjardins caisse board designed to prepare young people to be future officers (http://www.desjardins.com/en/a_propos/carrieres/perspectives/etudiants/jeune-dirigeant-stagiaire.jsp).

Young adults

In cooperation with community stakeholders in Outaouais and with the caisses, Desjardins is actively involved in creating a training program on personal finances for young adults, which should be gradually extended to several regions in Quebec.

Educational initiatives based on the cooperative model

To foster greater understanding of the various cooperative business models and the role and place of Desjardins in the cooperative world, online training on cooperation and social responsibility is offered to employees. In the same vein, the Desjardins Cooperative Institute is currently evaluating, in conjunction with academic partners, the establishment of a summer school on cooperative and financial education for young Desjardins members. In addition to encouraging financial education, we are promoting the values of cooperative business among the next generations.

Desjardins employees in the property and casualty insurance sector in Quebec received online training to further their knowledge of our cooperative difference and to put its values into practice.

We also offer a large number of internships to college and university students.

12. Data based on a voluntary survey of caisses. No survey has been carried out since 2009.

Financial education on financial products and services

Desjardins offers several financial products and services that have an educational component. These include the Desjardins Mutual Assistance Funds, CRÉAVENIR and Desjardins Microcredit to Businesses, which are discussed on pages 22 to 24 (2.1 “Working in the interest of our members and clients”).

Our business sectors and subsidiaries have also designed a wide range of tools to help our diverse clientele acquire the knowledge, skills and self-confidence needed to manage their personal finances. Many of these tools are available on our websites. Here are a few of them.

Responsibility-based prevention, education and advice

In 2011, Desjardins Card Services added two new types of email alerts to help VISA Desjardins cardholders better manage their accounts. These new alerts are programmable using *AccèsD* Internet.

Alert name	Description
Payment deadline	<p>Informs cardholders that the minimum payment to their VISA account has not been received “X” days before the due date.</p> <p>Alert is automatic with FOR STUDENTS ONLY cards.</p>
VISA approaching credit limit	Informs cardholders that their VISA balance is nearing its limit.

We offer our clientele a variety of publications, written in clear, easy-to-understand language, to help them better understand finance-related subjects.

Publications for members, non-members, clients and employees



Partenaires (in French only) Agriculture and agri-food businesses



Desjardins Entreprises Small, medium and large businesses



Desjardins and Me Personal finances

The websites of Desjardins Group and its various components are a great source of information presented in a variety of formats. In addition to these sites, other tools also demonstrate our business sectors’ desire to contribute to the financial education of members, insured individuals and clients. The table below lists some of these information sources.

Educational tools	Target audience	Description / topics	Access
Websites	General public	<ul style="list-style-type: none"> Tips about spending, savings, family, finances, marketing and young people, retirement planning and more Blogs where various interesting topics are discussed Video clips and webcasts on different subjects (e.g. loans and bursaries, purchasing a home or a car, asset management, wills, budgeting, etc.) 	Desjardins.com
	Investors	<ul style="list-style-type: none"> Answers to frequently asked questions, calculators, tips and information articles on topics related to financial education 	Desjardinsfunds.com
<i>Define your priorities</i> educational brochure	Savers	Risks affecting personal savings. This brochure is part of a series on budgeting, personal assessment and asset evaluation	On Dfs.ca or from personal financial advisors
<i>Your RRSP, your TFSA and your projects</i> guide	General public	Registered savings and retirement plans	On Dfs.ca or from personal financial advisors
<i>Active</i> newsletter	General public	Preparing for retirement, health management	By subscription (Dfs.ca)
<i>Mieux comprendre</i> document series	Group insurance subscribers	Covers various aspects of these types of insurance plans	Desjardins Financial Security – (Dfs.ca)
“Your way, plain and simple” program	Group retirement savings plan members	Retirement planning and savings management	Desjardins Financial Security – (Dfs.ca)
<i>Expertise and Our point of view</i> newsletters	Desjardins Private Management (DPM) clients	Economic situation and markets, in-depth articles on various subjects	Desjardins Private Management
Tips	Businesses	Loss prevention and advice on various risks	DesjardinsAssurancesEntreprises.com
Information emails and tips	Insureds General public	<ul style="list-style-type: none"> Loss prevention (82,000 mailings) Safe and responsible driving; consequences of renovations on home insurance 	<ul style="list-style-type: none"> Personalized messages Radio spots and information spots during television programs
Conferences	General public	Economic outlooks to enrich your financial and investment knowledge	Desjardins Securities (Vmdconseil.ca)
“Rendez-vous” Desjardins Private Management conferences	Desjardins Private Management clients	Evening information sessions on finance and investments	Desjardins Private Management

Our group retirement savings sector won three awards at the 2011 Insurance and Financial Communicators Association (IFCA) annual competition. IFCA is an international organization dedicated to the professional development of its members in life insurance and related financial services communications.

- Grand prize in the “Education Video” category: five educational videos for retirement plan participants covering retirement planning from the start of the employee lifecycle through to retirement
- Grand prize in the “YouTube Video” category: three videos on group retirement savings explain some of the tools and support offered to plan sponsors and participants by the personal insurance sector of Desjardins Financial Security: Yourwayplainandsimple.com
- Award of Excellence in the “Employee Communications” category: Group Retirement Savings Participant Statement



2.4. COMMUNITY INVOLVEMENT TO FOSTER SUSTAINABLE PROSPERITY

Historical heritage: *Société historique Alphonse-Desjardins*

Founded in 1979, the *Société historique Alphonse-Desjardins* (SHAD) aims to safeguard and promote the history and heritage of Desjardins Group and its founders, for the benefit of present and future generations.

The SHAD fulfils its mission by:

- Preserving the home and property of Alphonse and Dorimène Desjardins
- Exhibiting its archives and collections of antique objects
- Offering free guided tours and educational activities to visitors to *Maison Alphonse-Desjardins*
- Providing advisory services, research, conferences and historical productions
- Safely housing Desjardins Group archives

The first head office of *Caisse populaire de Lévis, Maison Alphonse-Desjardins* is listed as a historical monument and recognized as a museum. Each year, it welcomes around 8,000 visitors.

“Although cooperatives cannot survive without making a profit, their profitability has a limit and is more concerned with the common good, both in terms of its structure and its mission. Cooperatives do not outsource; they participate in the development of economies for communities that promote the creation and distribution of wealth.”

— Louis Favreau, sociologist and professor at the *Université du Québec en Outaouais*¹³

Desjardins Group is, above all, a network of local caisses rooted in their respective communities. Each caisse is directly involved at the community level and supports local initiatives. The survival of a caisse and the community we serve are thus closely intertwined. Just like buying locally supports jobs in the community, members who use the products and services offered by their local caisse are contributing to their community's shared wealth.

13. Source: <http://www.sommetinter2012.coop/site/summit-info/news;jsessionid=D05FE0E171B45C2965C96C2FC357A5B0?template=newsDetail&newsID=6283>, consulted on June 6, 2012.

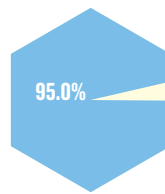
Participating in local and regional development

Through contributions to their Community Development Fund, members of Desjardins caisses support the socio-economic development of their communities. In a show of solidarity at the caisses' annual general meetings, members elect to give up all or part of their member dividends to replenish this community fund, which is managed by the board of directors at each caisse. This way, members can support projects that meet the needs of their community and contribute to its development.

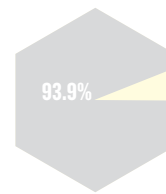
COMMUNITY DEVELOPMENT FUND (CDF)



Percentage of caisses that have a CDF 2011



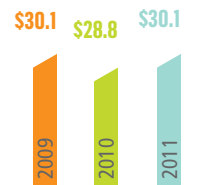
Percentage of caisses that have a CDF 2010



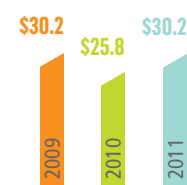
Percentage of caisses that have a CDF 2009



CDF balance at year-end (in millions of dollars)



Amounts paid into CDFs during the year (in millions of dollars)



Amounts paid to support initiatives (in millions of dollars)

Desjardins has also formed partnerships to develop the regions in a sustainable way. For example, we took part in a working group on multifunctional rural land use under the 2007–2014 National Policy on Rurality. Desjardins also co-signed the Shawinigan Declaration—*Pour un Québec fort de ses communautés* (For a Quebec made strong by its communities)—that was submitted to the Quebec government in April 2010 by *Solidarité rurale du Québec*.

Regional Economic Development Policy

More broadly, Desjardins has adopted a Regional Economic Development Policy based on the principles of mutual assistance, solidarity, and fairness. Implementation of this policy is facilitated by the 17 presidents of the councils of representatives. They sit on the Desjardins Group Board of Directors where they are regularly called on to help make strategic decisions that will impact the future of their cooperatives and regions. The councils of representatives have decision-making power when it comes to regional business plans, representation at social and economic organizations in their region and the granting of donations and sponsorships.

Policy to decentralize activities to the regions

In 2001, Desjardins Group adopted a deconcentration policy for activities carried out by the Federation and its subsidiaries in non-urban regions. One of the goals of this policy is to determine whether activities initially planned for large urban centres can be decentralized to the regions. A good example of successful policy implementation was the 2002 grouping of certain student loan management activities at a single centre located in Gaspé, a region in economic decline. More recently, Desjardins set up an *AccèsD* call centre at the *Carrefour de la coopération* in Granby, creating dozens of jobs in the area.

Investment in development capital

Desjardins offers development capital to entrepreneurs in addition to strategic support. In doing so, Desjardins encourages companies to create value within their organizations while at the same time helping them develop and grow.

Development capital investments mainly come from *Capital régional et coopératif Desjardins* (CRCD), a public fund with 106,000 shareholders, created by Desjardins Group and managed by Desjardins Venture Capital (DVC). Its shares are distributed through the Desjardins caisse network, and its management team's expertise ensures that this capital is invested in Quebec small and medium enterprises and cooperatives. Investment projects can take various forms, including expansions, modernizations, acquisitions, mergers, takeovers and business transfers.

Desjardins Group's development capital investment activities generate numerous economic spinoffs in the regions where its partner companies do business. In addition to consolidating and creating jobs, these investments help develop expertise, promote the emergence of leaders in different fields, and generate economic activity that is essential to the vitality of Quebec's regions.

Helping young farmers

At Desjardins Group we understand the importance of lending a helping hand to a new generation of local farmers, which is why we support young farmers through two programs.

Fonds coopératif d'aide à la relève agricole (cooperative assistance fund for future farmers)

Since 2008, Desjardins Group has worked with *La Coop fédérée* and *Fédération de la relève agricole du Québec* to show our support for and commitment to young farmers, entrepreneurship and education.

With the Desjardins Farm Transfer Grant component, Desjardins offers each of the young prize winners (age 18 to 40) financial support through \$8,000 in principal payment reductions. Prize winners are chosen for excellence in their roles as entrepreneurial managers and visionaries.

Fonds d'investissement pour la relève agricole (farm succession investment fund)

In 2010, the Quebec government, the *Fonds de solidarité FTQ* and *Capital régional et coopératif Desjardins* joined forces to create the *Fonds d'investissement pour la relève agricole* (FIRA).

With separate contributions of \$25 million to this fund, the partners help to develop agriculture in Quebec by supporting the survival of agri-businesses and encouraging the next generation of farmers to step up.

At the request of the *Fédération de la relève agricole du Québec*, the fund encourages entrepreneurship in young people through innovative and atypical financing solutions to support them in their plans to start or expand a non-family business. These solutions include subordinated loans and farmland lease agreements. The entrepreneur who receives financial assistance from FIRA can purchase shares or assets (movable and immovable) in a farm business.

Desjardins Entrepreneur Awards

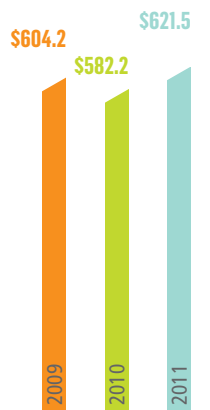
Each year, by means of the Desjardins Entrepreneur Awards, Desjardins Group pays tribute to people who, through their creativity, initiative and leadership, play an important role in community outreach and development. These prizes are divided into nine categories, including awards for cooperatives and sustainable development.

With the Desjardins Sustainable Development Award, Desjardins Group, in collaboration with Bell Canada, recognizes businesses that demonstrate effective management, sound governance and social responsibility. To be eligible for a Desjardins Entrepreneur Award, companies must show sound financial performance, contribute to the well-being of their communities and proactively manage the impact of their business on the environment, all from a sustainable development perspective. In 2011, eight companies submitted their applications; three of them were awarded for their efforts at the Desjardins Entrepreneur Prize gala.

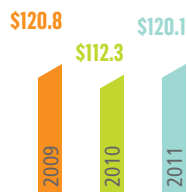
Economic spinoffs from Desjardins Group operations

On top of the direct economic benefits stemming from our main activities as a financial institution, Desjardins generates economic spinoffs through the income and other taxes we pay to the government, which are then reinvested into society, as well as through the salaries and benefits we pay our employees, which they, in turn, invest in a wide array of goods and services, both in the regions and urban centres.

Development capital investments managed by Desjardins Venture Capital (DVC)



Development capital investments (at cost) in Quebec (in millions of dollars)



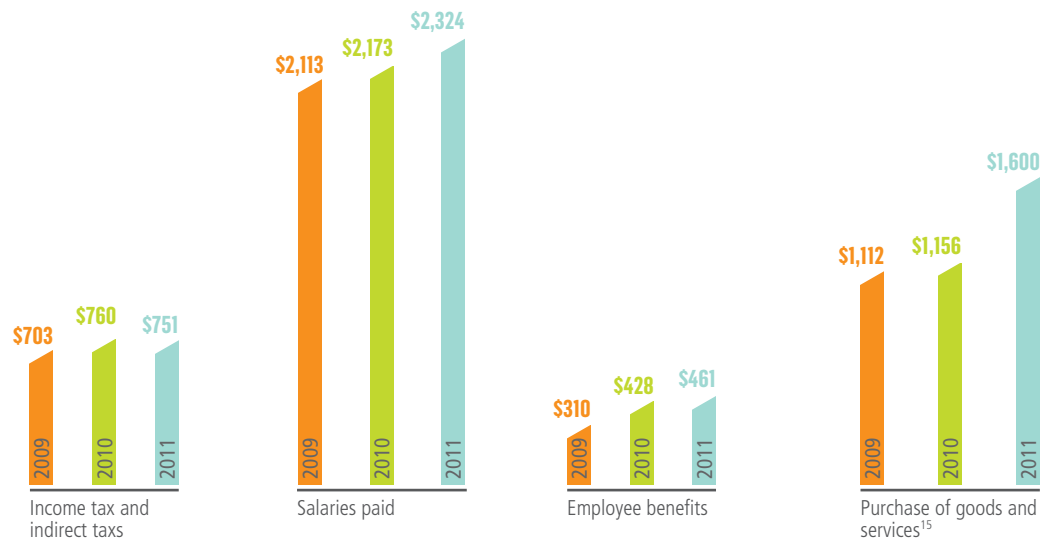
Investments (at cost) in cooperatives or other businesses located in resource regions¹⁴ (in millions of dollars)



Number of Quebec businesses, cooperatives and funds supported

14. These amounts are included in the development capital investments in Quebec.

Other economic spinoffs (in millions of dollars)



Giving back to the community through sponsorships and donations

Community involvement is one of our main cooperative principles. At Desjardins, contributing to the economic and social well-being of individuals and communities takes several forms, including sponsorships and donations, which totalled \$81.2 million in 2011.

There were four priorities:

1. Education: financial security and asset management, as well as research, innovation and productivity
2. Cooperation as a sustainable economic development model: cooperative entrepreneurship and democratic life
3. Health and healthy lifestyles: workplaces, work-life balance, prevention and cooperative initiatives focusing on health
4. Culture: preparing the next generation, creativity and introducing young people to culture. Contributing to sustainable development is a criterion for receiving donations and sponsorships in this area

Here are some of the events, institutions and causes with which Desjardins Group was associated as a partner or sponsor in 2011:

- *Grand défi Pierre Lavoie*
- *Maison du développement durable*, *Équiterre* and the David Suzuki Foundation
- *Rendez-vous du savoir*
- The Co-op Caravan, organized by the *Conseil québécois de la coopération et de la mutualité*
- Major universities in Quebec, in particular McGill University through the creation of the Alphonse-Desjardins Trading Room
- Québec Entrepreneurship Contest
- More than 60 bike events, including for *Vélo Québec*, and BIXI self-service bicycle systems in Montreal and Toronto
- The *École d'entrepreneurship de Beauce*



15. These data exclude local caisse network expenditures, federal, provincial and municipal taxes and income taxes, inter-component expenses and trust accounts.

The Desjardins Art Collection

Desjardins Group boasts a large collection of artwork, which demonstrates our commitment to the arts, to artists and to our artistic heritage. Today, nearly 2,500 works are exhibited in Desjardins offices in Lévis, Montreal, Ottawa, Quebec City and Toronto, providing a touch of humanity and beauty to the workplace while at the same time raising employee awareness about the world of art. Each year, the Desjardins Art Collection is enriched through new acquisitions. These works, by emerging talents or mid-career artists, illustrate the richness of Quebec and Canada's artistic production.

In 2011, two temporary exhibitions were held to bring the works in the collection to a wider audience of Desjardins employees, executives, and members and to the general public. The first, *Le plaisir de voir: Œuvres de la Collection du Mouvement Desjardins*, was presented from September 13 to October 30 at the *Galerie d'art de la Maison des arts Desjardins* in Drummondville. The second, titled *Pas de trois*, was shown from September 30 to November 4 at the *Galerie d'art de Matane*. Works from the collection were also featured at the Collective Enterprise exhibition held in Montreal by the *Association des Collections d'Entreprises* and *Loto-Québec*. Other initiatives, including the reproduction of art by young artists in Desjardins advertisements and the integration of artworks in various publications such as *Desjardins in 3D*, demonstrate the organization's desire to promote art and the work of talented artists.

The Desjardins Art Collection contributes in a unique way to the vitality of today's visual arts scene and to maintaining our shared artistic heritage.

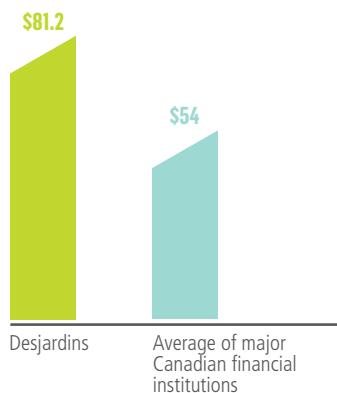
Sponsorships and donations by sector (in millions of dollars)

	2011 ¹⁶	2010	2009
Arts and culture	\$9.3 million	\$8.5 million	\$7.8 million
Regional economic development	20.6	19.5	17.9
Education	12.5	11.6	10.6
Mutual assistance and solidarity	5.0	6.5	5.6
Health and well-being	21.7	22.0	19.6
Sports and recreation	11.0	10.4	10.0
Environment	1.1	1.1	0.8
Total	\$81.2 million	\$79.6 million	\$72.3 million

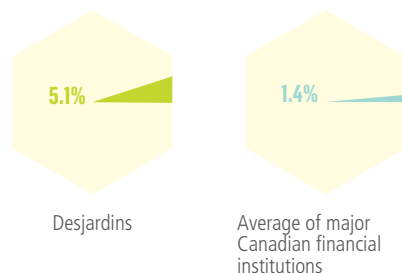
Operation Red Nose: A socially responsible partnership

Since its creation in 1984, Operation Red Nose (ORN) has been able to rely on Desjardins General Insurance (DGI) as its main partner. By providing financial support and contributing to promotional activities, DGI supports ORN's mission, namely preventing traffic accidents caused by motorists driving under the influence. In 2011, a free mobile application was made available by DGI to drivers wishing to use ORN's designated driver service. The application was downloaded 85,000 times, proof that this service meets a real social need.

Amounts paid out in sponsorships and donations by major financial institutions in Canada¹⁷ (in millions of dollars)



Percentage of surplus earnings (profit) paid out in sponsorships and donations by major Canadian financial institutions (as a percentage of net profit)



Photos: Gabrielle Margineanu

16. Does not include scholarships and bursaries granted by *Fondation Desjardins*.

17. Based on data available as at February 1, 2012.



CONCRETE ACTIONS TO PROTECT THE ENVIRONMENT

PRIORITIES AND FRAMEWORK

Since 2005, we at Desjardins Group have been guided in part by our sustainable development policy in our actions and decisions with respect to the environment. Indeed, we have strengthened our sustainable development positioning as part of our strategic emphasis on cooperation and social responsibility. Desjardins Group also adheres to the principles of the United Nations Environment Programme Statement by Financial Institutions on the Environment and Sustainable Development.

To reduce our ecological footprint and help fight climate change, we set the following three priorities:

- Responsible procurement
- Residual waste management
- Energy efficiency (property and transportation)

Responsible procurement

Responsible procurement policy

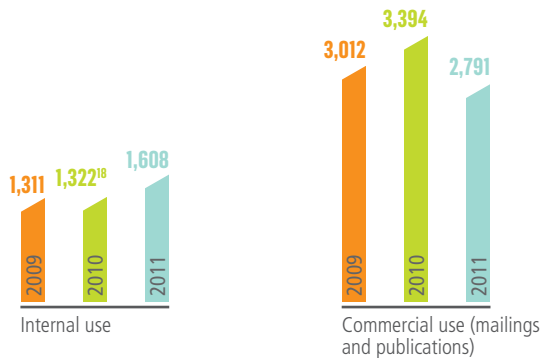
The 2006 responsible procurement policy has been completely overhauled and replaced by the new Desjardins Group Procurement Policy. A special social and cooperative responsibility rule is currently being drafted to emphasize the importance of taking into account the concept of “life cycle” as part of Desjardins Group’s procurement activities.

Questions on supplier social responsibility are already included in Desjardins Group calls for tender, and work is underway with existing suppliers to guide them on sustainable development issues. Priority is given to local goods and services when available in order to support local suppliers.

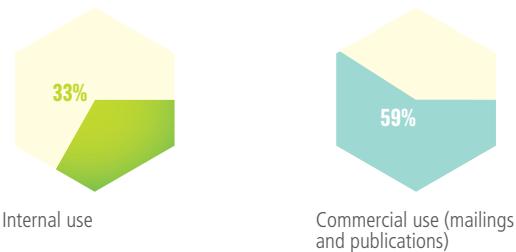
Environmentally friendly paper

In 2008, Desjardins committed to taking the necessary measures to purchase only paper made of 100% post-consumer fibre. Purchases are monitored on an ongoing basis, taking certain constraints and specific needs into account. This tracking helped identify certain situations where it is technically difficult to make the transition to 100% post-consumer paper, and therefore where the goal will be achievable only in the long term. In 2011, the volume of recycled paper Desjardins purchased was 73% while post consumer paper was 49%.

Total paper consumption (tonnes)



Percentage of paper made from 100% post-consumer fibre
(as a percentage of the total paper consumption for 2011)



18. Data restated due to a calculation error.

Residual waste management

Since 2008, we have upheld our commitment to *RECYC-QUÉBEC* to promote the *ICI ON RECYCLE!* (Here we recycle) recycling program in our components and to gradually implement the program across the organization. In 2011, 10 work locations met the criteria to reach *RECYC-QUÉBEC*'s Level 1 (commitment), 32 met the Level 2 criteria, and 2 met those for Level 3.

To reach Level 2, businesses must demonstrate that they have instituted measures associated with the 4Rs (reduce, reuse, recycle, recover) in their organization and have held information and awareness activities on responsible residual waste management. To attain Level 3, they must have an overall recovery rate of 80% for all recoverable materials, in addition to meeting the Level 2 criteria.

Eco-friendly events

Since 2006, most major events and meetings held by Desjardins have been eco-friendly. Making events eco-friendly requires thorough consideration of all event-related activities—from planning to holding the event—in order to limit waste production and greenhouse gas emissions. Any unavoidable motor vehicle travel is offset by planting trees or purchasing carbon credits. In 2011, approximately 4,500 people took part in eco-friendly events organized by Desjardins Group. Moreover, excess food from these events was distributed to community organizations through a partnership with *La Table des Chefs*.

Eco-friendly event results	2011	2010	2009
Number of eco-friendly events	3	6	4
Number of BNQ 9700 ¹⁹ certified events	2	N/A	N/A
Rates for recycling or recovery of residual materials	82.2%	85.2%	80.3%
Number of meals redistributed	1,078	1,465	1,013
Greenhouse gas emissions offset through the purchase of carbon credits (tonnes of CO2 equivalent)	397	622	490

19. Responsible event management standard.

Energy efficiency

Energy efficient building program

Work continued with the goal of implementing an energy efficiency program in the caisse network, the greatest energy consumer at Desjardins Group. As each caisse is an independently managed property, the strategy retained builds on the expertise of its regional stakeholders, who provide coaching to the network in building management matters. Groundwork continued to raise awareness about the importance of instituting efforts to save energy. Desjardins also has a partnership agreement in place with the *Association québécoise pour la maîtrise de l'énergie* and four other major organizations to improve its energy efficiency.

Many Desjardins Group buildings have earned or are seeking LEED (Leadership in Energy and Environmental Design) certification, an international standard for the design, construction and use of highly efficient green buildings:

- *Caisse Desjardins de Granby-Haute-Yamaska*
- Windsor building
- *Caisse Desjardins Thérèse-De Blainville*
- *Caisse Desjardins des Chutes Montmorency*
- *Caisse d'économie solidaire Desjardins*
- *Cité Desjardins de la coopération* in Lévis
- *Caisse Desjardins Terrebonne*
- *Caisse Desjardins de l'Ouest de la Mauricie*
- Desjardins Securities offices in Toronto
- *Caisse populaire Desjardins de Lévis* (new head office)

Automobile policy for management

Since 2009, the Automobile and Work-related Expenses Policy has included incentives and restrictions designed to reduce the fuel consumption of Desjardins Group's car fleet. Desjardins set a target to reduce fuel consumption by 10% over three years, with 2008 as the base year. In order to reach this goal, a series of measures were put in place: credits for those who drive vehicles with low fuel consumption, penalties for vehicles with high fuel consumption and a ban on remote car starters. The funds generated by the penalties are used to promote the alternative transportation program.

In order to make our officers, employees, members and clients aware of things they can do to reduce the environmental impact of driving cars, we distributed a checklist that outlines various steps that can be taken to significantly reduce the pollution caused by motor vehicles.

Review of greenhouse gas emissions

The climate impact of Desjardins Group's operations is reviewed annually based on ISO 14064. As a result of the many measures we have implemented, there has been a steady, observable reduction in emissions, both in terms of absolute emissions and intensity per employee.

The decrease in emissions over the past few years is due in part to a reduction in the use of fuel oil and natural gas in Desjardins Group buildings. A number of caisses and other components recently began work to renovate or reconstruct their buildings, thereby helping to improve energy efficiency at Desjardins. In an effort to reduce their environmental impact, many of them are even seeking LEED certification for their projects.

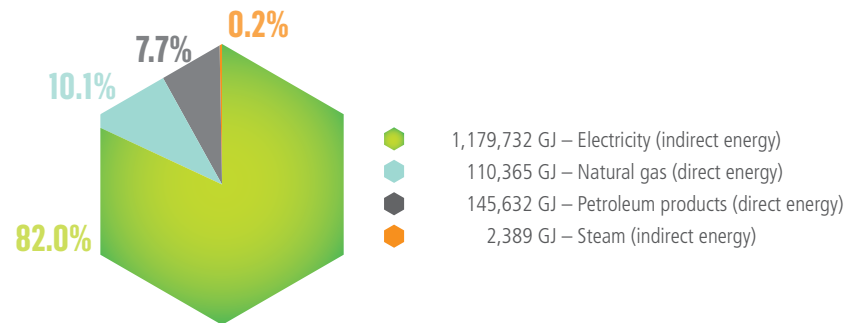
The gradual transition to 100% recycled paper has also helped us reduce our greenhouse gas emissions. Paper consumption is one of the biggest environmental considerations for financial institutions, and it accounts for nearly 20% of Desjardins's climate footprint.

Finally, a share of this reduction is attributable to our improved calculation methods for both data reliability and conversion factors.

Greenhouse gas (GHG) emissions in tonnes of CO ₂ equivalent ²⁰	2011	2010	2009
Direct emissions: car fleet, fuel	11,902	12,177	13,681
Indirect emissions: electricity, steam	2,038	2,907	2,594
Indirect emissions: rental vehicles, personal vehicles, air travel, Desjardins shuttle, rented offices (fuel), paper ²¹	21,507	21,865	21,716
Total GHG emissions	35,448	36,949	37,991
Emission intensity (tonnes/employee)	0.82	0.87	0.91
Percent decrease in emission intensity vs. 2008	15%	9%	7%

Energy consumption by source

(in gigajoules – GJ)



20. Data for 2009 and 2010 were restated following updates to emission factors and certain corrections. Caisse data is based on a voluntary annual survey on paper consumption and business commutes.

21. GHG emissions associated with paper consumption are calculated using the Environmental Paper Network Paper Calculator.

A new route for your commute!



Desjardins Group's Alternative Transportation Program was designed to improve the habits of employees who commute to and from work. It touches on active transportation, carpooling, public transit and business travel. A series of measures have been put in place to promote the use of alternative means of transport and to cut down on solo automobile travel:

Component	Initiatives
Active transportation	<ul style="list-style-type: none">• 467 half-price annual passes for BIXI users (self-serve bicycle service)• Two active transportation information events and two bike tuning training sessions (Montreal and Lévis)
Public transit	<ul style="list-style-type: none">• Free passes to try public transit for 110 motorists• Possibility of offering an annual pass under study
Carpooling	<ul style="list-style-type: none">• 450 employees registered on the carpooling site• 90 reserved carpool parking spots (pilot project in Lévis)• Guaranteed rides home in case of emergency
Business travel	<ul style="list-style-type: none">• Corporate subscription to <i>Communauto</i> car sharing service• Promotion of the Desjardins shuttle
Communication, information, promotion	<ul style="list-style-type: none">• 500 participants in the <i>Défi sans auto</i> alternative transportation challenge• Media placements for the <i>Semaine des transports collectifs et actifs</i> (active and public transportation week) and <i>In town without my car!</i> events• Broadcast of four video clips promoting alternatives to solo automobile travel• Section dedicated to the Alternative Transportation Program on the employee portal

Desjardins shuttle

Since the early 1990s, the Desjardins shuttle has been available to staff for travel between the head office in Lévis and its offices in Montreal, morning and night, every weekday. The Desjardins shuttle made the trip 920 times in 2011, shuttling 18,292 employees to and from both locations. If each of these employees had made the trip using their own vehicle, close to 700 tonnes of greenhouse gases would have been released into the atmosphere.

Encouraging low environmental impact service delivery

Since the way members carry out their financial transactions has an impact on the environment, either because they drove a car to make their transactions or because they used paper as part of the process, Desjardins encourages members to use the direct deposit and *AccèsD* to perform their financial transactions online. In 2011, we crossed a milestone 4 million monthly online statements as 765,079 more members signed up for online *caisse*, VISA, Desjardins Securities and Disnat monthly statements. What's more, since 2010, participants in group retirement savings plans from Desjardins Financial Security have been able to receive their statements electronically as well.

Our property and casualty insurance sector now has more online options for members, including online insurance documents, easier online account setup, Desjardins General Insurance's (DGI's) "No Paper" initiative and The Personal's "OneFile" program. And since May 30, 2011, all DGI policyholders have been able to view their insurance documents in PDF on *AccèsD*. Between November 21 and December 31, 2011, 16,000 clients chose to view their file online, an increase of 65% compared with the previous 11 months, and 4,530 new online accounts were created, an increase of 13% in less than two months.

Since 2011, group insurance plan participants have been able to use the "Submit an online claim" function to submit claims for vision care and for services and care provided by any of the following professionals: physical therapists, massage therapists, chiropractors, psychologists and osteopaths.

Climate change

In spring 2011, Desjardins joined forces with four partners to found the *Coop Carbone*. This cooperative will provide greenhouse gas-producing companies with assistance on projects to reduce their greenhouse gas (GHG) emissions. It will also offer aggregation, training, monitoring and networking services. The cooperative's business model will be based on the concept of member cost sharing. Desjardins Energy-Efficiency Loans will help fund projects to reduce the GHG emissions of companies meeting its eligibility criteria.

Since 2010, Desjardins Group has been a member of the David Suzuki Foundation Board of Directors. We are also a partner of the Quebec arm of the David Suzuki Foundation, and one of our contributions was the French translation of the Foundation's *Doing Business in a New Climate* guide. In another project that could have far-reaching effects, Desjardins has been hosting the Winter Summit in Quebec City since 2011 to raise funds for this organization. The aim of this annual event is to raise awareness and educate people about the impact of climate change on Quebec winters through scientific, cultural and sports activities.

Desjardins Group's property and casualty insurance sector is keeping a close eye on climate change. We collaborate with other industry representatives on monitoring, research and prevention initiatives to stay abreast of the latest data on climate change. We have also sent information bulletins to our policyholders to encourage them to take measures to prevent damage to their property caused by inclement weather.


In 2010, Desjardins General Insurance Group (DGIG) teamed up with the Climate Reality Project Canada, the Canadian arm of a non-profit organization whose goal is to educate the public about the impacts of climate change and solutions to limit them. Since the Project's inception in 2007, over 475,000 Canadians have attended at least one of the group's 3,200 free presentations. Under the partnership, three presentations were also given before some 170 Desjardins Group employees in Lévis, Mississauga and Montreal during Cooperation Week 2011.

Flooding is a growing concern among property and casualty insurers. That is why DGIG has taken the lead to influence the industry and take on a greater role on various industry committees in order to develop lasting solutions.



Photos: Mémoires photo





CHOOSING TO WORK FOR A MAJOR COOPERATIVE MOVEMENT

A RECOGNIZED EMPLOYER

In 2011, Desjardins Group earned several highly sought-after distinctions for the quality of our work environment. In our first year in competition, we were ranked among Canada's Top 100 Employers, as rated by Mediacorp Canada Inc. We were also recognized as one of Canada's Top Family-Friendly Employers. In addition, Desjardins was selected as one of the *Financial Post's* Ten Best Companies to Work For. What's more, Waterstone Human Capital named us one of Canada's 10 Most Admired Corporate Cultures.

All this recognition testifies to our efforts to create a healthy, stimulating and respectful workplace. We believe that by providing our employees with attractive working conditions and unique professional development opportunities, we are supporting their commitment to put their talents to work for our members and clients.

4.1 A QUALITY WORK ENVIRONMENT: PREREQUISITE FOR ENGAGEMENT

We strive to remain an employer of choice for our employees and future applicants by continually implementing measures designed to maintain a motivating workplace that is propitious for personal growth.

In 2011, Desjardins hired approximately 3,000 external applicants to fill permanent positions and appointed more than 8,000 employees to positions internally. Our recruitment strategies, in particular through partnerships with social media, helped increase the number of applications received.

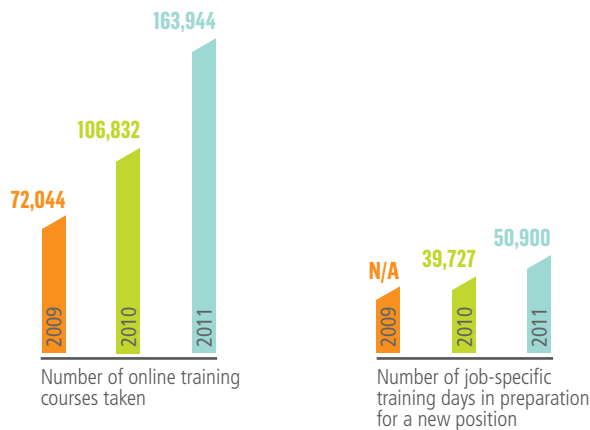
Loyalty rate – regular employees ²²	2011	2010	2009
Total regular employees loyal to Desjardins	95.1%	94.9%	95.6%
Regular management employees loyal to Desjardins	96.5%	96.7%	98.0%
Regular non-management employees loyal to Desjardins	95.0%	94.7%	95.4%
Voluntary departures for a reason other than retirement	1,837	1,916	1,605
Employee promotion rate	6.1%	6.5%	N/A

22. Average number of regular employees during the period minus the number of regular employee resignations over the previous 12 months, divided by the average number of regular employees during the period, or 100% minus the rate of regular employee resignations. These indicators do not cover Desjardins Securities employees who are paid on commission (338 pers.), and employees from Western Financial Group (1,472 pers.), *Développement international Desjardins* (105 pers.), Desjardins Bank (47 pers.) and *Caisse centrale Desjardins* U.S. Branch (5 pers.).

Fostering professional development

In 2011, we invested \$55.7 million, or 2.51% of our payroll, in training, well over the rate of 1% recommended by government authorities. We also began an extensive review of our training and career development practices to ensure they are in line with the business and cooperative objectives of Desjardins Group. Several programs were designed and launched for this purpose, notably in the caisse network.

The Desjardins Cooperative Institute (DCI), our “corporate university”, now coordinates the training sessions offered throughout Desjardins Group. In 2011, the DCI considerably expanded its online training offerings.



Desjardins Group officers, managers and employees have access to a variety of training sessions on human rights policies and procedures applicable to organization activities. Below are a few examples:

- Reasonable accommodation and inclusive management of cultural differences
- Diversity for officers
- Diversity Is My Business!
- Ethical management: an informed decision
- Measure your Ethics Quotient—officers
- From professional conduct to ethics
- A healthy, harassment-free workplace

We not only strive to foster loyalty among our employees, but to ensure their employability within Desjardins Group. To this end, we offer a diversified range of training programs to develop professional skills and prepare new managers.

Employees who wish to study at recognized educational institutions can take advantage of a series of measures to facilitate their success, including the following:

- Work schedule accommodation
- 100% paid training time when training is a job requirement and 50% paid training time when training is necessary for the development of a person identified as a succession candidate
- Reimbursement of registration fees upon successful completion of courses and reimbursement of required books and documents
- Monetary recognition for additional education
- Unpaid leave for up to 12 months to enable employees to complete their studies

Management and thinking tools support managers and employees in their career development process. Regular meetings are also held between managers and employees in order to help employees reflect on their professional objectives and create an action plan to attain them, taking into account the organizational realities. These meetings enable managers to get to know their employees and their aspirations in order to make the best possible match between available talent and business needs. In 2010²³, 51% of employees mentioned that they had had a meeting about their career with their manager during the year.

Desjardins offers paid internship programs to college and university graduates. For individuals interested in financial sector careers, these programs provide an opportunity to acquire knowledge and skills related to Desjardins’s activities. Thanks to the caisse network’s ongoing support and guidance in welcoming young employees and fostering their development, we are taking concrete steps to ensure that well-prepared successors are in place and ready for new challenges. We also have a development program to train future senior managers.

At Desjardins, employees are supported throughout their professional lives, including in their thinking and their end-of-career planning. For example, employees age 50 or over who participate in the Desjardins Group Pension Plan, as well as their spouses, can take part in an intensive retirement preparation session. In 2011, 961 participants signed up for these sessions.

Performance is crucial to our organization’s evolution. We regard performance management practices as significant levers for employee development and mobilization, which is why meetings between managers and their employees are held to discuss employee performance.

These meetings provide managers with an opportunity to talk about desired behaviour and attitudes, promote conditions fostering employee success in their roles and careers, and familiarize employees with issues and priorities so that they can better understand the importance of their contribution. In 2010,²³ 91% of employees said that they had had a formal meeting with their manager.

23. This question is asked every two years.

Contributing to community development through volunteering

Desjardins signed a partnership agreement with the non-profit organization (NPO) *Bénévole d'affaires* (Business Volunteers). The agreement enables Desjardins managers to offer their expertise free of charge to community NPOs by becoming a member of a board of directors or by carrying out occasional strategic development, communications, human resources, coaching or mentorship missions. Desjardins Group's openness to outside activities is also a motivational factor for employees.

An approach that takes diversity into account

Managing diversity in human resources has been identified as a key issue for Desjardins Group. It is a way of responding to the current and future needs of our members and clients. It is also a way of ensuring that our members and clients can identify with a financial institution that is representative of their community.

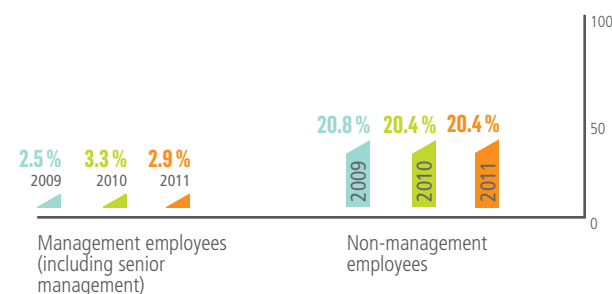
With our extensive network of points of service and places of business, we use varied recruitment strategies to attract the best talent. These strategies can be used to attract local applicants or to prompt applications from all qualified and interested individuals, wherever they may be. Senior management team members—i.e. the Chair of the Board, President and Chief Executive Officer as well as the senior vice-presidents—are appointed from the various regions where Desjardins operates.

At Desjardins we would like to enrich our human capital by focusing on young people, an increased presence of women in senior management positions, and increased representation of cultural and Aboriginal communities as well as the English-speaking community.

This commitment to diversity is reflected in our policies, especially our staffing policy, which states that applicants must be selected on the basis of their skills and knowledge. Skills and behaviours are evaluated using rigorous selection tests based on criteria that do not discriminate with regard to gender, age or culture.

The most recent diversity survey at Desjardins Group was carried out in 2008–2009. According to this survey, the representation rate of cultural communities among employees was 5.07%.

Representation of employees age 30 or under
(as a percentage)



Distribution of employees²⁴

	2011	2010	2009
By component			
Desjardins Group support functions and business sectors	20,206	17,556	16,803
Caisse network	24,439	25,085	25,307
By province			
Quebec	40,433	39,757	39,271
Ontario	2,521	2,684	2,657
Other provinces	1,610	139	127
Outside Canada	81	61	55
By status²⁵			
Regular	89.2%	89.1%	89.2%
Temporary	10.8%	10.9%	10.8%
By job category²⁵			
Senior management	1.3%	1.3%	1.4%
Management (excludes senior management)	6.3%	6.7%	6.6%
Non-management	92.4%	92.1%	92.1%
Total number of employees ²⁶	44,645	42,641	42,110

Representation of women

In 2006, Desjardins created a committee on gender equity to develop an action plan to increase the number of women in senior management positions while maintaining skills-based appointments. As the ambassador for the gender equality component of diversity management, this committee's objectives are to:

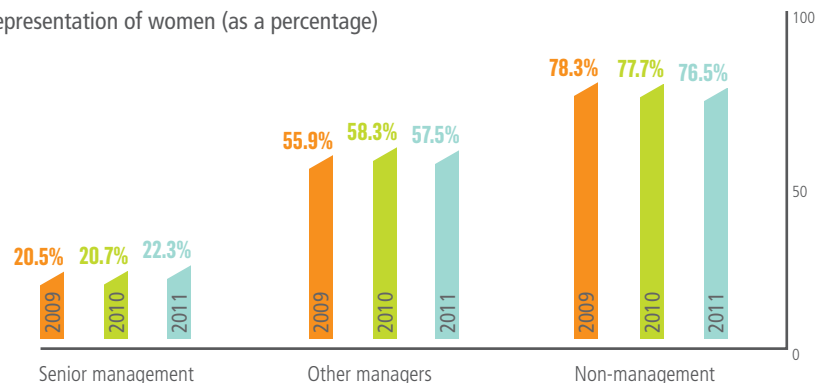
- Foster the promotion of women to senior management positions
- Increase the representation of women in senior management positions
- Cement Desjardins's reputation as a major player in the recruitment, retention, development and advancement of women in management positions
- Work with the next generation across all management levels and at the board of directors level with the objective of preparing future female executives

24. Some previously published figures have been modified.

25. Rounded data.

26. Excludes employees of *Caisse centrale Desjardins* U.S. Branch.

Representation of women (as a percentage)



In 2011, 58% of posted management positions (excluding senior management) and 22% of posted senior management positions were filled by women. According to a survey conducted in 2010, 81% of employees believe men and women have an equal opportunity for career advancement at Desjardins Group.

Desjardins is also a member of the following organizations:

- Catalyst
- Canadian Board Diversity Council (CBDC)
- *Table des partenaires influents* (roundtable of influential partners), whose mission is to encourage Quebec companies to increase the number of women on their boards of directors
- *Réseau des entreprises pour l'intégration des personnes handicapées* (CAMO) (business network for the integration of disabled people)

Pay equity policy

Desjardins Group applies equitable, competitive and motivating pay practices. These practices respect pay equity laws and the principle of "equal pay for equal work". All employees holding equivalent positions therefore fall into the same job level or class and the same salary scale, from the time they are hired. Subsequently, salaries change based on acquired experience, skills and employee performance.

In 2011, Desjardins Group completed work to maintain pay equity as required by Quebec's *Pay Equity Act* and did the necessary follow-up to the letters of understanding respecting pay equity in its collective agreements.

Desjardins contributes to the economic well-being of its employees by offering salaries well above minimum wage. The minimum salary of an employee in the lowest employment category is 1.4 times higher than the current official minimum wage, which was \$9.65 in Quebec as of May 1, 2011. There is no variation in ratio among operating regions.

4.2 ACTIVELY CONTRIBUTING TO OUR EMPLOYEES' WELL-BEING AND BALANCE

Regular full-time and part-time employees benefit from the following:

- Life insurance
- Health insurance
- Pension plan
- Drug, dental and eye care coverage
- Health spending account—at the employee's discretion
- Favourable working conditions when life events occur (e.g. maternity, adoption and paternity leave)

Measures are also in place to facilitate work-life balance, including flexible work arrangements (compressed work week, telework) and various forms of leave (staggered compensation). Part-time employees have access to most of the above-listed benefits, prorated according to the time worked.

About 0.18% of all employees work abroad. Their working conditions are equivalent to those of employees in Quebec, but are adapted to comply with the laws and standards in the country in which they work.

Unlike many companies, at Desjardins we have chosen to maintain our defined benefit pension plan. The Desjardins Group Pension Plan ensures our employees' financial security upon retirement. This decision reflects Desjardins Group's fundamental values and reinforces our distinctive reputation as a top employer. Desjardins continuously monitors the pension plan investment policy, part of the trend toward socially responsible investing, and its results to ensure the plan's long-term viability. Under this plan, the risk is shared between plan members and Desjardins Group at a ratio of 35% to 65% respectively. For more information, visit Rcd-dgp.com.

The right of association

In Canada, the right of association is set out in various labour laws with which Desjardins complies. Some 21.8% of employees across Desjardins Group are covered by a collective agreement. This number goes up to 27.7% if we take into account only the caisse network, which also includes the financial and administrative centres.

Health promotion

The goal of Desjardins with respect to health is to take the leadership through a preventive and proactive approach that meets both our business challenges and the needs of our employees.

As a major private employer, Desjardins Group has a social responsibility with regard to health. By contributing to the improvement and maintenance of healthy lifestyles, we help take some pressure off the health care system. All of society benefits from these measures.

Owing to the nature of our activities, Desjardins is not subject to the *Act Respecting Occupational Health and Safety*, which requires employers to form an official labour management committee dealing with occupational health and safety. However, Desjardins strongly believes that personal development begins with an approach that fosters health and well-being. In this respect, Desjardins is well positioned compared to other companies on the market.

Every year, Desjardins makes a significant investment in employee health and well-being. In 2011, approximately \$6 million was spent on illness prevention and health promotion programs and initiatives. Employees on disability leave benefit from a personalized support program—the result of a partnership among the *Fédération des caisses Desjardins du Québec*, Desjardins Financial Security and various rehabilitation companies. This program is designed to guarantee that employees receive the care and services they need, when they need them, in order to facilitate their recovery and return to work.

The “Health is Cool 360°” website allows current and retired Desjardins employees to find—in a few clicks and at any time—answers to their health questions as well as information about preventing and treating illnesses.

We organize various activities to encourage healthy lifestyle habits. For example, some 10,000 employees—22%—chose to protect themselves against the flu in 2011 by participating in the flu shot campaign held annually in many Desjardins workplaces. And approximately 34% of employees take advantage of the Physical Activity Fees Reimbursement Policy. Complete medical checkups are offered to managers by specialized companies. In 2011, some 27% of managers took advantage of this service.

Défi Entreprises

Desjardins participated in the first *Défi Entreprises* event in Quebec City. In addition to being one of the partners that supported this initiative, Desjardins Group was well represented by over 150 employees who took part in the event (a third of the total number of participants). Altogether, more than 450 people from 26 businesses in the Quebec City area came together to run or walk a distance of 5 or 10 km on the Plains of Abraham. Besides giving employees the opportunity to socialize and have fun with their colleagues, the event encouraged many people to adopt healthy exercise habits to prepare for the challenge.

At the 26th annual *Gala des OCTAS* organized by the *Réseau ACTION TI*, Desjardins Group was presented with a prize in the category of web environment participation or collaboration for our eXCentriQ creativity platform. This in-house creative space aims to transform employee ideas into innovative initiatives. This increased collaboration helps Desjardins grow and groom new leaders in innovation. Each year, the *Réseau ACTION TI* honours individuals, businesses and organizations for their outstanding creativity, energy and contribution to the burgeoning tech sector.

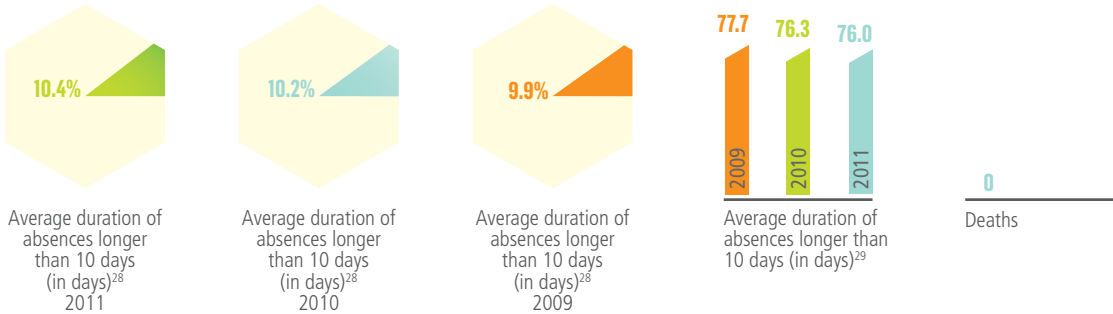
A major partner of the 5/30 Health and Wellness Challenge, Desjardins saw strong participation among officers, employees, family members and retirees. Some 13,700 people signed up for the 2011 challenge.

Our group insurance plan focuses on the financial security of employees and their dependants in the event of an accident or illness. On top of providing the usual life and disability insurance coverage, our plan sets itself apart with a lump sum critical illness benefit that helps insured individuals suffering from covered illnesses handle expenses incurred because of their condition. In addition, the long-term financial security of employees on disability leave is ensured through the automatic indexation of disability insurance benefits and a waiver on group insurance premiums and Desjardins Group Pension Plan contributions. As well, a health spending account provides an annual amount that employees can use as they see fit for health care not included in their health coverage.

Desjardins Group offers a variety of support measures for employees who have experienced a traumatic event, regardless of whether it is related to the nature of their work. For example, labour agreements set out compensation mechanisms for people needing time off work following this kind of event. Employees also have access to an assistance program for victims of violent acts such as robbery, death threats and hostage-taking occurring within the context of their job.

Desjardins Group’s philosophy and practices with regard to health have a direct impact on the indicators set out in the table below:

Occupational health and safety²⁷



Listening to employees

In an ongoing effort to provide an environment that meets employee needs and aspirations, Desjardins Group encourages continuous dialogue between managers and employees. In addition, employees are regularly surveyed about their level of engagement. They have the opportunity to express their opinions confidentially on more than 20 aspects related to their work environment and conditions as well as the Desjardins cooperative difference. Participation rates are usually higher than 80%. These surveys are very useful tools for the organization as they indicate areas for continuous improvement that help Desjardins remain an outstanding employer for our employees and in the market.

27. These data do not show regional disparities, which have no impact on the organization.
28. Number of short-term disability insurance claimants divided by the number of individuals covered by disability insurance.
29. This indicator is more salient to the organization than the rate of work-related injuries or illnesses. This number of days was calculated based on the start date of the disability period, using only cases closed as at the date of this table.

GLOBAL REPORTING INITIATIVE INDICATORS (GRI)

Reporting level legend: (f) Fully reported, (p) Partially reported

REF.	DESCRIPTION OF INDICATOR	REPORTING LEVEL	DESJARDINS RESPONSE
STRATEGY AND ANALYSIS			
1.1	Statement from the most highly-ranked decision-maker of the organization (e.g. CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and its strategy	f	Page 9
1.2	Description of key impacts, risks and opportunities	p	Pages 4, 9
ORGANIZATIONAL PROFILE			
2.1	Name of the organization	f	Desjardins Group (DG)
2.2	Primary brands, products, and/or services	f	2011 Annual Report, page 48
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	f	2011 Annual Report, page 48
2.4	Location of organization's headquarters	f	Lévis (Quebec), Canada
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	f	Pages 6-7
2.6	Nature of ownership and legal form	f	2011 Annual Report, page 47
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	f	Pages 6-7 2011 Annual Report, pages 47-48
2.8	Scale of the reporting organization	f	2011 Annual Report, page 47
2.9	Significant changes during the reporting period regarding size, structure and ownership	f	No significant changes
2.10	Awards received in the reporting period	f	2011 Annual Report, pages 36-37
REPORT PARAMETERS			
3.1	Reporting period	f	Page 10
3.2	Date of most recent previous report	f	2010
3.3	Reporting cycle	f	Annual
3.4	Contact point for questions regarding the report or its contents	f	Brand Management and Sponsorships Administrative Department Communications Corporate Division Desjardins Group Telephone: 514-281-7000, ext. 7272 Toll-free: 1-866-866-7000, ext. 7272

3.5	Process for defining report content	f	Pages 10-11
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	f	Page 10
3.7	Specify limitations on the scope or boundary of the report	f	Page 10
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations	f	None
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	f	Available upon request
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)	f	Indicated in table where applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods in the report	f	Indicated in table where applicable
3.12	Table identifying the location of the Standard Disclosures in the report	f	Yes
3.13	Policy and current practice with regard to seeking external assurance for the report	f	No external assurance
GOVERNANCE			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight (for economic, social and environmental performance)	f	2011 Annual Report, pages 205-219
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	f	2011 Annual Report, pages 213-214
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	f	2011 Annual Report, page 208
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	f	Pages 12, 32, 48
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	f	Page 4 2011 Annual Report, pages 210-211
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	f	2011 Annual Report, pages 206-217
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	f	2011 Annual Report, pages 206-210
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	f	Pages 3, 14
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, social and environmental performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	f	2011 Annual Report, page 207

4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, social and environmental performance	f	2011 Annual Report, page 210
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	p	Page 4
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	f	Pages 24, 38
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic	f	Pages 17-18, 42, 46
4.14	List of stakeholder groups engaged by the organization	f	Page 11
4.15	Basis for identification and selection of stakeholders with whom to engage	f	Page 11
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	p	Page 11
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	p	Page 11
ECONOMIC INDICATORS			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	f	Pages 17, 30, 34-37
EC3	Coverage of the organization's defined benefit plan obligations	f	Page 46
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	p	Page 38
EC7	Processes for local hiring and proportion of executives from around the significant locations of operation	f	Page 45
EC9	Understanding and describing significant indirect economic impacts, including their extent	p	Page 33
ENVIRONMENTAL INDICATORS			
EN1	Materials used by weight or volume	p	Page 39
EN2	Percentage of materials used that are recycled input materials	p	Page 39
EN3	Direct energy consumption by primary energy source	f	Page 40
EN4	Indirect energy consumption by primary source	f	Page 40
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	f	Page 40
EN16	Total direct and indirect greenhouse gas emissions by weight	f	Page 40
EN17	Initiatives to reduce indirect energy consumption and reductions achieved	f	Page 40
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	f	Page 40
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	f	Page 41
SOCIAL PERFORMANCE INDICATORS: LABOUR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region	f	Page 45
LA2	Total number and rate of employee turnover by age group, gender, and region	p	Page 43
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	f	Page 46
LA4	Percentage of employees covered by collective bargaining agreements	f	Page 46

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	f	Page 46
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region	f	Page 48
LA8	Education, training, counselling, prevention and risk control programs in place to assist workforce members, their families, or community members regarding serious diseases	f	Page 46
LA10	Average hours of training per year per employee by employee category	p	Page 44
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	f	Page 44
LA12	Percentage of employees receiving regular performance and career development reviews	f	Page 44
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	f	Pages 14, 45
LA14	Ratio of basic salary of men to women by employee category	f	Page 46
SOCIAL PERFORMANCE: HUMAN RIGHTS AND PROCUREMENT			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	p	Page 15
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	p	Page 15
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	p	Page 15
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	f	Page 15
HR8	Percentage of employees who received training on policies and procedures concerning aspects of human rights that are relevant to the organization's operations	f	Page 15
SOCIAL PERFORMANCE: SOCIETY			
SO2	Percentage and total number of business units analyzed for risks related to corruption	p	Page 16
SO5	Public policy positions and participation in public policy development and lobbying	f	Page 14
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	f	Pages 14-15
SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	f	Page 21
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communication, including advertising, promotion and sponsorship, by type of outcome	f	Page 14
SECTOR SUPPLEMENT: FINANCIAL SERVICES			
FS1	Policies with specific environmental and social components applied to business lines	f	Pages 4, 25, 34
FS2	Procedures for assessing and screening environmental and social risks in business lines	f	Page 27
FS5	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities.	f	Page 26

FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	f	Pages 18-19, 22-25
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	f	Pages 24-26, 35
FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote or advises on voting	f	Page 25
FS14	Initiatives to improve access to financial services for disadvantaged people	f	Pages 28-29
FS16	Initiatives to enhance financial literacy by type of beneficiary	f	Pages 22-24, 30-33



Cooperating in building the future