MINUTES

33rd annual meeting of the Desjardins Group Pension Plan

Wednesday, March 27, 2024, 12 p.m. – Live webcast and playback available at www.rcd-dgp.com/en

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1. CALL TO ORDER

The meeting was called to order by Karina Lehoux. She welcomed all members of the Desjardins Group Pension Plan ("DGPP" or "Plan"). Karina Lehoux then presented the agenda: opening remarks; governance; financial position and performance; the Plan's added value; acknowledgements; questions, comments and suggestions; and adjournment of the meeting.

Next, she introduced her fellow speakers: Denis Latulippe, Chair of the Desjardins Group Retirement Committee ("DGRC" or "Committee"); Alain Leprohon, Executive Vice-President, Finance, and CFO of Desjardins Group; Frédéric Godbout, Vice-President, DGPP; and Marie-Huguette Cormier, Executive Vice-President, Human Resources for Desjardins Group. She also introduced 2 other speakers who would be joining the meeting: François Hudon, Director, Risk Management and Public Markets, DGPP Division; and Jolyane S. Pelletier, Manager, Plan Member Services and Communications, DGPP Division.

2. GOVERNANCE

Karina Lehoux introduced Denis Latulippe and outlined his wealth of actuarial and governance experience. After reminding everyone about the Committee's role in administering the Plan, Denis Latulippe went on to introduce the other DGRC members. Then, in accordance with Section 159 of the *Supplemental Pension Plans Act*, he reminded Plan members that the Committee maintains a register of the interests and rights of Committee members, which is available for consultation at the DGPP Division offices in Lévis. He mentioned that only one potential conflict of interest was added to the register for 2023: when the Committee adopted the target criteria to communicate to candidates and eligible voters, Committee members interested in running for the open seats withdrew during deliberations.

Denis Latulippe continued by extending his sincerest thanks to members of the DGRC who left the Committee in 2023: Stéphane Trottier and Maryse Lapierre and the members whose terms would end after the meeting: Dominic Laurin and Robert Desbiens.

Karina Lehoux then asked Denis Latulippe about the elections, with a voting period from March 11 to 15, 2024, that had been held to fill 2 vacancies. For the position of voting member designated by active Plan members, there were 52 candidates. The chair announced that Brigitte Chabarekh had been elected. He mentioned that the DGRC will consult the regulation at the next meeting to decide what measures should be taken to fill Brigitte Chabarekh's now vacant position. The Committee will consider the votes cast by Plan members during the elections. For the position of non-voting member designated by retirees, beneficiaries and Plan members entitled to a deferred pension, there were 17 candidates. He said that Vincent Coulombe was elected. The new members will carry out 3-year mandates ending at the 2027 annual meeting.

Alain Leprohon personally thanked Sylvain Gareau, and on behalf of Desjardins Group, for overseeing the Plan for the past 15 years. Alain Leprohon pointed out that Sylvain Gareau succeeded in making phenomenal progress with the DGPP, taking the Plan from its deficit when he arrived in 2008 to one that delivers top-notch results. Alain Leprohon then introduced Frédéric Godbout as the new Vice-President of the DGPP.

Frédéric Godbout stated that he had a harmonious transition with his predecessor and that, in this favourable environment, DGPP activities were reorganized based on market and Desjardins Group best practices. A 2024–2026 strategic plan was developed based on various performance drivers.

Alain Leprohon clarified that senior management supports the DGPP Division in these initiatives. He explained that this is essential because Desjardins continues to believe strongly in providing all employees and retirees with an advantageous pension plan.

3. FINANCIAL POSITION AND PERFORMANCE

Karina Lehoux then invited François Hudon to discuss the Plan's financial position and performance in 2023. François Hudon said that the Plan's 2 main financial health measures improved in 2023 and exceeded equilibrium. The funding ratio remained stable at an estimated 120%, while the solvency ratio saw a 6% increase over the previous year to reach an estimated 103%.

Alain Leprohon responded by pointing out that the Plan's outstanding financial health helped to reduce the contribution rate by 1% at the start of 2023 while maintaining the same benefits. As the financial situation improves, the plan to reduce contributions based on the solvency ratio adopted by the Board of Directors of the Fédération des caisses Desjardins du Québec (the "Board") in 2022 will continue to be followed and various options will be evaluated. He also pointed out that employers made additional contributions to the Plan between 2012 and 2015, and may request reimbursement for these amounts. The teams will take the time to closely analyze the situation, keeping in mind the fragility of the economic situation.

Karina Lehoux then asked François Hudon about the risks facing the Plan and how they are managed. He answered that risk management is central to strategic development and outlined the importance of taking on enough risks to ensure sufficient long-term performance, while mitigating them as much as possible. He then discussed the main risks: interest rate fluctuations, financial market volatility, life expectancy and liquidity. He went on to explain that the main mitigation measure is to establish a resilient asset allocation strategy. A multitude of economic scenarios and stress scenarios, including climate risk scenarios, are regularly tested for the Plan.

Frédéric Godbout added that the Plan remains on sound financial footing thanks to the proactive and dynamic management of its 2 distinct portfolios: the matching portfolio and the performance portfolio. He explained that the matching portfolio, which is mainly made up of bonds, aims to protect the Plan from interest rate fluctuations. It ensures that assets remain sufficient in relation to the Plan's obligations, regardless of rate movements. In 2023, falling interest rates increased both the Plan's liabilities and assets, further improving its financial position. Frédéric Godbout went on to discuss the performance portfolio. He explained that it helps the Plan achieve long-term returns to keep contributions at a reasonable level. This portfolio is composed of assets including public equities, infrastructure, real estate, private equity, and innovation and opportunities. He underlined the importance of diversifying this portfolio by selecting the best partners and investments. This year's high returns have improved the Plan's long-term performance.

Frédéric Godbout highlighted the objective to generate added value for the Plan, which is to provide additional returns that exceed the benchmarks through proactive and dynamic asset management. The cumulative added value over 10 years is $1.8 billion, which is an annualized return of 7.3%. For 2023, the Plan outperformed its peers with an overall annualized return of 9.7%, representing nearly $35 million in added value to the portfolio.

Karina Lehoux then discussed the profitability of private market investments with Frédéric Godbout. The vice-president explained that the private market, which represents 40% of the overall portfolio, has created the most added value. He mentioned how proud he is to be able to count on a team of internal experts who have built a network of well-established partners from around the world to help the Plan seize the best investment opportunities. He stated that diversification and risk management investment strategies performed well.

Karina Lehoux then proceeded to invite Plan members to consult the 2023 annual report to see the detailed results for each asset class. Frédéric Godbout also highlighted the achievements of major strategic projects in 2023 for the DGPP Division: modernizing the financial systems, implementing a new responsible investment policy, concrete actions to promote equity, diversity and inclusion within the team, and several projects related to Desjardins Group initiatives that highlight the Plan in the total compensation package for employees.

Karina Lehoux then introduced Jolyane S. Pelletier to present the new features for Plan members in 2023. First, she highlighted how the Plan's presentations were redesigned to complement the retirement planning sessions available upon request by managers. She explained that the presentations have been updated to make the content simpler and more effective. The new presentations have been delivered to over 7,500 Plan members. Jolyane S. Pelletier reminded Plan members that the website contains tools, including their personalized annual statement and a pension simulator. She also encouraged Plan members to contact DGPP Member Services if they have questions. Advisors are available to provide personalized support.

4. **<u>THE PLAN'S ADDED VALUE</u>**

After being introduced by Karina Lehoux, Marie-Huguette Cormier started this portion of the meeting by discussing the advantages of the Plan. She explained why a defined benefit pension plan offers a unique advantage and is aligned with the key principles of the organization's total compensation policy.

Karina Lehoux then asked Marie-Huguette Cormier about what makes up total compensation at Desjardins. She explained that it involves direct compensation such as salary and bonus, plus indirect compensation such as the pension plan, group insurance and other working conditions. In 2023, a personalized statement for each employee was directly created on the employee HR platform. Employees have access to detailed monetary values for all the components of their compensation, including the DGPP. She also mentioned that a new video is available to explain how the Plan works, its benefits and its value.

Marie-Huguette Cormier continued with a presentation on the initiatives aimed at improving the experience for current and future retirees. A Retirees Office was created to facilitate communication between Desjardins Group and its retirees as well as coordinate future initiatives. Work was also done with the associations to review the structure and financing methods. The president of Desjardins Group will launch 2 new associations in April and May that were created to bring together all of the organization's business sectors and support functions. One association is for the Lévis and Quebec City area and the other is for Montreal. Work is also in progress to improve merchant and partner discounts for retirees. A new website for retirees, separate from the DGPP website, will be available in the fall of 2024 to provide the latest information on the organization's activities.

Karina Lehoux asked Plan members to send their questions for the speakers to answer at the end of the meeting. She again encouraged them to read the 2023 annual report.

5. **<u>ACKNOWLEDGEMENTS</u>**

Denis Latulippe extended his sincere thanks to everyone who made the meeting possible. On behalf of the Committee, he thanked everyone whose commitment is critical to the Plan's success: the DGPP Division team, the Finance Executive Division, the Human Resources Executive Division and Desjardins Financial Security. Finally, he thanked the DGRC members for their valuable contributions.

6. **<u>QUESTIONS, COMMENTS AND SUGGESTIONS</u>**

Karina Lehoux stated that they would focus on questions about the DGRC's responsibilities to manage the Plan's investments and ensure the proper administration of benefits. She asked Plan members to address any questions about the Plan's benefits and terms of payment to HR or the DGPP Member Services. She stated that they would be selecting the most frequently asked questions.

Q: Hello. These are great figures, but it's hard to really assess how our pension plan is performing without being able to compare it to other plans. According to the report, the annualized rate of return is 9.7% and 7.3% over 10 years. What is the average for comparable pension plans? I wasn't able to find this information in the annual report. It might be good practice for governance and transparency to routinely include such information. Thank you.

A: It's important to remember that the most important measure is the Plan's financial health. The DGPP is committed to paying guaranteed benefits, regardless of market and interest rate fluctuations. That said, the best way to compare the possible asset returns is through the Plan's benchmark indexes. In 2023, the return for the DGPP was 9.7%, compared to 9.4% for the Plan's benchmarks. That means we outperformed all the Plan's benchmarks. It's also very difficult to compare the Plan to other pension plans. The DGPP has its own objectives and priorities, and there's no other plan quite like it. When it comes to managing the Plan's financial situation, we play the long game. All things considered, the Plan has posted similar long-term returns to those of plans that only manage assets:

DGPP overall return for 2023: 9.7%; annualized return over 10 years: 7.3%
Caisse de dépôt et placement du Québec (CDPQ) overall return for 2023: 7.2%; annualized return over 10 years: 7.4%
Ontario Municipal Employees Retirement System (OMERS) overall return for 2023: 4.6%; annualized return over 10 years: 7.3%

Q: Is there a possibility or project in place to improve the indexation of pension benefits, particularly the 1% limit from age 65 for 10 years?

A: The pension benefit is indexed based on the increase in the Consumer Price Index for Canada. For service prior to 2013, the pension is indexed by up to 3% per year. For service from 2013, the pension is indexed for 10 years, starting at age 65, by up to 1% per year. Desjardins Group wants to continue to provide all employees with an attractive and competitive pension plan while ensuring its sustainability and being mindful of everyone's capacity to contribute. Only 11% of Canadian employers have defined benefit pension plans with indexation. Remember that the benefits from our public pension system (Québec Pension Plan and Old Age Security) are fully indexed. We have no plans to make changes to the indexing rules. Most economists expect inflation to return to a more acceptable level in the coming years.

Q: Could the nature of the Plan change in the future?

A: We currently don't have any plans to change the nature of the Plan. Desjardins Group has always aimed to maintain an attractive and unique defined benefit pension plan that helps keep its employees financially empowered beyond their working years. However, it's important to regularly assess whether a defined benefit plan continues to meet employee needs and is still in line with our total compensation policy, while ensuring Desjardins Group's long-term viability and our ability to pay.

Q: How will the large increase in retirees in 2024 and 2025 affect the Plan?

A: We expect a significant increase in the number of retirees over the next few years, from 24,000 in 2024 to 36,000 in 2034. That's a jump of 10,000 retirees in 10 years. The Plan's cash inflows and outflows are the most affected. Rest assured that there will always be enough funds to cover outflows at any time in the future. This is done through projecting and simulating various scenarios for the short-, medium- and long-term. We've already anticipated and planned for the increase in retirees.

C: Congratulations to the whole team and here's to your ongoing success! You've put us in a very solid position. Well done!

Q: Alain Leprohon spoke about reimbursing employers for amounts they advanced between 2012 and 2015. Could you provide some more details? I'm not sure I entirely understand that portion.

A: The Plan experienced some difficult periods in the past. The FCDQ acted as a banker by lending the pension fund up to $1.3 billion as at December 31, 2023. As for the additional amounts paid by employers to fund the DGPP, the Board may decide to prioritize contribution holidays for these employers. If the solvency ratio is greater than 100%, the banker's clause may be reinstated.

C: Just wow! Congratulations to the team. That was a great meeting! Impeccable work from the Committee for the annual meeting. Just like with our Plan's performance!

7. ADJOURNMENT

At 12:54 p.m., Karina Lehoux thanked Plan members for attending the meeting. She reminded them that they can submit any comments or questions to the DGRC and to Member Services at any time.

There being no further business, she declared the meeting adjourned.