Relationship Disclosure Document

Desjardins Capital Markets

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* Desjardins Capital Markets is a trade name used by the Fédération des caisses Desjardins du Québec.

Introduction

This Relationship Disclosure Document (the "Disclosure Document") contains information that a client who is a party to a derivative (a "client" or "you") may consider important with respect to their relationship with the Fédération des caisses Desjardins du Québec (the "Federation") in accordance with *Regulation 93-101 respecting Derivatives: Business Conduct* ("Regulation 93-101").

The Federation operates in the foreign exchange and derivative markets under the trade name Desjardins Capital Markets ("DCM" or "we").

DCM offers risk management and hedging solutions to clients in the public sector, business sectors and institutions.

The Disclosure Document describes our relationship with you, including our products and services and their terms and conditions, such as our responsibilities as a derivative dealer and your responsibilities as a client, how you are protected, and the risks associated with these activities.

Please carefully review the information in the Disclosure Document and any other documentation provided throughout our relationship in a timely manner.

The Disclosure Document is updated regularly. It is available on the Desjardins Capital Markets website at: www.desjardins.com/qc/en/business/capital-markets.html.

Our Relationship

Products and services

DCM products and services can meet a wide range of your hedging and risk management needs.

The over-the-counter derivatives that DCM offers aim to eliminate or mitigate one or more risks that clients are exposed to as a result of their activities. The transactions are therefore hedging transactions.

DCM's derivatives product and service offer (the "service offer") consists of the following:

1. **Currency derivatives**

   Currency derivatives enable the holder to protect themselves against foreign exchange rate fluctuations between two currencies, such as USD/CAD or EUR/USD. Clients who trade these types of derivatives should hold assets or generate cash flows denominated in a foreign currency. The derivatives used are:

   - Futures
   - Currency swaps
   - Options (put or call)

2. **Interest rate derivatives**

   Interest rate derivatives are used to lock in the interest rate of a loan or a group of variable-rate loans. The derivatives used are:

   - Interest rate swaps
   - Swaptions (put or call options on a swap)

3. **Other types of derivatives**

   Other types include futures contracts whose underlying value is, for example, in commodities, stocks, market indexes or bonds.

   All these derivatives are offered in accordance with the terms and conditions of the following agreements:

   - The International Swaps and Derivatives Association's 2002 Master Agreement;
   - DCM's Master Agreement for foreign exchange derivative products.

DCM representatives must clearly explain the service offers and the types of derivatives you have chosen. Feel free to ask them questions about their recommendation to understand the terms, conditions and risks.

Know Your Client

We take a number of steps to ensure we have all the information we need to know our clients, including verifying their identity, their insider status with a reporting issuer, their creditworthiness, and so on.

In addition, prior to any service offer, the client must provide DCM with a written statement confirming its counterparty status.

Suitability

If the client is an individual or a commercial hedger who has not waived in writing the protections provided by Regulation 93-101, then before making a recommendation or accepting any instructions for a derivative transaction, we take reasonable steps to ensure that we have confirmed:

- Their knowledge, experience and understanding of the different types of derivatives;
- Their needs and goals with respect to derivative transactions (including, if applicable, the time horizon of a hedging strategy);
- Their risk tolerance for different markets;
- Their financial circumstances;
- The nature of their activities and the operational risks to manage.

Using all of this information, we will be able to recommend derivatives and transactions that are suitable for you.

The suitability determination also requires that DCM and its representatives be familiar with each derivative offered. Our representatives must be able to explain the risks, the key features, and the initial and ongoing obligations associated with each one.

We base the suitability determination on this information. The determination is made at different times depending on the nature of the service offer. Except for derivatives linked to a line of credit, we conduct a suitability determination before making any recommendations to a client or before accepting any instructions from the client to carry out a derivative transaction. For derivatives linked to a line of credit, the suitability determination is performed when the line of credit is granted to the client and, subsequently, when the line of credit is renewed or based on the client's needs.

Updating your information

Please make sure that the information pertaining to you provided during the initial service delivery is accurate and let your representative know about any changes as soon as possible. Feel free to meet with them to explain the change. Your representative must also take reasonable steps to update the information in your file.

You agree to immediately notify DCM in the event of a change to your counterparty status.

Compensation

DCM does not earn commissions for its over-the-counter derivative offer. Compensation received by DCM is included in the price/rate agreed upon by the parties and results from the difference between this price/rate agreed upon and the interbank market rate/price. This difference depends mainly on the following factors:

- Client's credit rating;
- Transaction length;
- Market liquidity at the time of the transaction;
- Transaction amount;
- The amount the client trades with DCM annually.

Early termination

Clients who trade an over-the-counter derivative agree to fulfill all obligations required of them under the terms of the transaction. Clients who want to terminate a transaction can usually do so on the date of their choice. In some situations, specific dates may be determined ahead of time, notably when DCM wants to terminate the transaction.

When a client asks DCM to terminate a transaction before its maturity date, the market value of the derivative at that time will be calculated and provided to the client. This value could be positive if current market conditions are less favourable than the ones at the time of the transaction. The client would then receive payment to terminate the transaction. Conversely, this value could be negative if current market conditions are better than the ones at the time of the transaction. The client would then have to pay to terminate the transaction.

Tied selling

Regulation 93-101 prohibits DCM and its representatives from applying undue pressure on or coercing a client to purchase a product or service from a particular person, including DCM or any of its affiliated entities, as a condition of obtaining another product or service from DCM.

However, this prohibition does not prohibit DCM from offering its clients customized pricing in the form of financial benefits or incentives, or any other similar agreement that benefits the client.

Valuation reporting, statements and notices

The market value (or valuation) of a derivative depends on several factors, including:

- The spot rate of the underlying index (e.g., the USD/CAD rate);
- The derivative's exercise price;
- The term to expiration (the "maturity date");
- The underlying asset's forward points for the maturity date (premium/discount);
- The volatility of the underlying asset on the markets;
- Transaction-specific features (e.g., activation/deactivation clause, observation dates, etc.).

Valuation statement

You will receive a monthly valuation statement for each derivative that has been the subject of a transaction or for each derivative in which DCM holds a derivatives position, at the end of the period.

Daily valuation

On each business day, the valuation of each derivative that has been transacted and with respect to which obligations remain outstanding on that day is available. If you would like to obtain the valuation of a derivative on a specific date, send a request to COLLATERAL@desjardins.com.

Transaction confirmation

We will send you a written transaction confirmation as soon as possible after each transaction.

Please review all transaction confirmation slips you receive and let us know about any issues or errors within 10 days of receiving them. If you do not contact us within the 10-day period, we will consider the transaction confirmation to be accurate and that you have authorized, acknowledged and accepted the transaction.

Quarterly statement

You will receive a statement at the end of each quarter during which a derivative transaction is carried out or during which you have an outstanding derivatives position resulting from a transaction where DCM acted as a derivative dealer.

Where applicable, quarterly statements include:

- The date of each transaction during the quarter;
- A description of the transaction, including the notional amount, number of units, the price per unit and total price of the derivative;
- The information required to identify the agreement that governs the transaction (see the Products and services section);
- A description of each outstanding derivative;
- The valuation of each outstanding derivative at the statement date;
- The final valuation, at the expiry or termination date, of each derivative that expired or terminated during the period covered by the statement;
- A description of all assets held or received;
- The cash balance in the account; and
- The total market value of outstanding derivatives and assets.

Handling of complaints

In cooperation with DCM, the team in charge of handling complaints (the “Team”) has established an effective, fair and cost free process for handling client complaints in order to comply with the quality standards set out by applicable regulations. The role of the Team is to examine complaints in a spirit and context of impartiality with a view to appreciating the facts in their entirety.

If you are dissatisfied with services or products provided, we invite you to first contact DCM, which will analyze your dissatisfaction and attempt to resolve it. If you are still dissatisfied after their intervention, you may file a complaint with the Team.

A complaint constitutes the expression of one of the following three elements that has not been resolved to your satisfaction after its processing:

- a reproach against DCM or one of its representatives;
- the reporting of real or potential harm that you have sustained or may sustain;
- a request for remedial action.

Complaints may be sent by mail or email to the following address:

Desjardins Complaint Handling Team
100, rue des Commandeurs
Lévis (Québec) G6V 7N5
complaints@desjardins.com

If you do not wish to submit a written complaint, you may ask a staff member of DCM to submit one to the Team on your behalf or you may call a Team advisor at 1 888 556 7212, option 2 (toll-free).

Complaint Process

1. An acknowledgement of receipt will be sent to you within 10 days of receiving your complaint.
2. As soon as possible after sending the acknowledgement of receipt, an advisor from the Team will contact you.
3. The advisor assigned to your complaint will review it.
4. After reviewing your complaint, a final response including the Team’s findings and conclusion will be sent to you in writing within 90 days of the date of receipt of your complaint.
5. In the event that a settlement offer is made to you, you will be required to sign a release to confirm that you accept the settlement.

If you are not satisfied with the handling of your complaint, you may ask the Team to transfer your file to the competent regulatory authority:

✓ **For Québec residents,** you may choose to use the independent dispute resolution service of the Autorité des marchés financiers (the “AMF”). The AMF will examine your file upon request and, if deemed appropriate, may propose conciliation or mediation services to resolve the conflict. This process is on a voluntary basis. Upon your written request, the Team will forward a copy of your complaint file to the AMF. You can also send your file directly by mail:

Autorité des marchés financiers
Complaints and Compensation Department
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

For more information, we invite you to visit the website: www.lautorite.qc.ca or call 418 525 0337 (in Québec) or the toll-free number 1 877 525 0337.

✓ **For Ontario residents,** you can choose to use the services of the Financial Services Regulatory Authority of Ontario, which will review your file upon request. We invite you to complete the complaint form by visiting the website: Submit a complaint to FSRA | Financial Services Regulatory Authority of Ontario and follow the instructions for submitting the form by mail or email: contactcentre@fsrao.ca.

Statement of Principles on Conflicts of Interest

Introduction

It is important for DCM that its clients be informed of material conflicts of interest that exist or can reasonably be expected to arise in the course of its business activities and how they are addressed.

A conflict of interest arises when the interests of different parties, namely a client and DCM or one of its representatives (directors, officers, partners, employees or agents) are incompatible or diverge.

DCM takes reasonable measures to identify all material conflicts of interest that exist or that it can reasonably expect to arise. We assess the risk associated with each conflict and avoid situations that involve a serious conflict of interest or too high of a risk for our clients. In all other material conflict of interest situations, we ensure that appropriate measures are put in place to deal effectively with these conflicts. As a rule, a conflict of interest is material if it is reasonable to expect that it will influence the decisions of a client or those of DCM or its representatives under the circumstances.

The Statement of Principles on Conflicts of Interest explains the main situations in which DCM may have a material conflict of interest and how we intend to handle them. If other material conflicts of interest are identified or could reasonably arise, we will promptly inform you of the nature and extent of these conflicts as they arise, or, at the latest, when recommending a transaction or providing a service that gives rise to the conflict. That way, you will be able to decide whether or not to proceed with the transaction or service.

Conflict of interest situations

We may have conflicts of interest in the following situations:

Compensation and incentives

When DCM is acting as the principal in a derivative transaction, it receives compensation based on the price/rate agreed upon with the client. For more information, see the Compensation section.

DCM representatives may receive incentives (monetary or other) for achieving individual or business unit objectives relating to business development or revenue generated.

Generally, compensation and incentives can encourage a derivative dealer or their representatives to recommend a product or service that provides them with higher compensation.

We generally manage these conflicts of interest in the following ways:

- We ensure that derivatives and recommended transactions are suitable for the client.
- We inform you of all applicable fees before undertaking the transaction.
- We have an integrated supervision program that is reasonably designed to detect conflicts of interest between our representatives and client trading activities, as well as inappropriate transactions.

Personal interests of DCM representatives

DCM representatives may be in situations where their personal interests conflict with those of a client. This could happen in the following situations:

- Offering or receiving gifts or entertainment that could compromise or be perceived as compromising their independence;
- Conducting personal financial dealings with clients or exercising control over their finances outside the scope of their work for DCM;
- Participating in any outside activity that could interfere with or enter into conflict with their duties;
- Completing transactions in their personal accounts using confidential information about DCM or their clients acquired in the course of their duties.

The Desjardins Code of Professional Conduct and the DCM's compliance manual provide a framework for managing conflicts of interest involving the activities of DCM and its representatives. These governance documents establish, as a fundamental principle, that client interests take precedence over those of the DCM and its representatives. Every year, the DCM's representatives confirm that they have read and understood the scope of the Desjardins Code of Professional Conduct and the DCM's compliance manual. Lastly, there is a mandatory training program on how to identify conflicts of interest.

The Desjardins Code of Professional Conduct and the DCM's compliance manual also set standards for the conduct of its representatives. These standards prohibit them from:

- Using privileged or confidential information acquired in the course of their duties or exploiting a situation for the purpose of obtaining an advantage of any kind;
- Accepting or giving gifts, entertainment or compensation that could influence decisions to be made in the course of their duties;
- Accepting compensation from any individual, outside of their relationship with DCM, unless prior approval from DCM is obtained;
- Engaging in outside activities that could interfere or conflict with their duties at DCM;
- Entering into financial transactions on a personal basis with clients of DCM who are not members of their families;
- Knowingly carry out transactions in their personal account that conflict with the interests of DCM's clients;
- Engaging in any activity or holding an interest in any business or participating in any partnership that may hinder or appear to hinder their independence of judgment in the best interest of DCM's clients.

DCM representatives must disclose to the clients concerned any material conflict of interest and personal interest in a security or other investment that might be expected to affect their capacity to advise such clients objectively and impartially.

DCM representatives must disclose to their employer any situation that can be reasonably expected to hinder the performance of their duties or their capacity to give objective and impartial advice.

The outside activities of representatives must be approved by DCM, which then assesses whether there is a conflict of interest, potential risks and appropriate control measures.

We regularly review securities transactions carried out in the accounts of our representatives.

DCM ensures that its representative compensation practices are not inconsistent with its obligations to clients and do not encourage behaviours that are contrary to client interests.

Client referral agreements

As part of its activities, DCM may enter into client referral agreements with business partners, including business partners that are members of the same financial group as DCM, Desjardins Group.

The terms and conditions of the client referral agreement will be set out in writing and shared with you, through this Disclosure Document or otherwise, before the services are provided.

The disclosures enable you to make informed decisions on recommendations and to assess potential conflicts of interest.

We conduct periodic reviews of our client referral agreements to ensure that commissions paid or received do not encourage behaviours that are inconsistent with our obligations to our clients.

To learn more about the referral agreements entered into by DCM with business partners, see the Disclosure of referral agreements section below.

Principal activities in the derivatives market

On the derivatives market, DCM can take orders, execute trades and conduct other activities. DCM acts as the principal for these activities, not the agent. DCM can trade before, concurrently or after executing a client transaction. The reasons for such trading may include the execution of transactions for other clients or Desjardins Group components as part of a derivative trading strategy already in place for a client, or when DCM and a client hold opposite positions on the same derivative in a bilateral transaction.

These situations could result in conflicts of interest between DCM and its clients. DCM will take reasonable measures to identify and manage these conflicts of interest in accordance with applicable regulations.

DCM is committed to upholding the principles set out in the FX Global Code (the "Global Code") for its foreign exchange market transactions. The Global Code is designed to build and maintain market confidence and sets out the guiding principles for internationally recognized transactional best practices.

The Global Code does not impose any legal or regulatory obligations on foreign exchange market participants and in no way replaces the laws, rules and regulations in each Canadian jurisdiction in which DCM operates. Instead, it aims to complement national laws, rules and regulations by identifying business best practices. DCM operates in the foreign exchange market in compliance with the guidelines set out in the Global Code and the regulations applicable in each jurisdiction in which DCM operates.

Disclosure of referral agreements

Client referrals to the Federation by the Desjardins caisses network in Québec and Caisse Desjardins Ontario Credit Union Inc. (the "caisses")

i) International services

In return for referring clients to the Federation for products related to international services, such as currency withdrawals (US or other) and letters of credit and collections, the caisses receive compensation based on a historical average of generally 60% of gross revenues.

ii) Interest rate swaps

In return for referring clients to the Federation for products related to interest rate swaps, the caisses receive the following compensation:

- 31% of estimated gross base revenue from commissions and fees; and
- 100% of revenue from the marketing margin.

Risk Information Document for Derivatives

This brief document does not describe all the risks and other significant aspects of trading in futures contracts, options and other derivatives. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of exposure to risk. Trading in derivatives is not suitable for many members of the public. You should carefully consider whether trading is suitable for you in light of your experience, objectives, financial resources and other relevant circumstances.

Over-the-counter market

1. Off-exchange transactions

Over-the-counter derivatives offered by DCM are traded between the client and DCM. Both act as counterparties. It may be difficult or impossible to liquidate an existing position without an agreement with the other counterparty, assess the value, determine a fair price or assess the exposure to risk. For these reasons, these transactions may involve greater risks than exchange-traded securities. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before undertaking any such transactions, you should familiarize yourself with the applicable rules.

2. Warning – Leverage

A characteristic of many derivatives is that you are only required to deposit funds that correspond to a portion of your total potential obligations when entering into the derivative. However, your profits or losses from the derivative are based on changes in the total value of the derivative. This means the leverage characteristic magnifies the profit or loss under a derivative, and losses can greatly exceed the amount of funds deposited. We may require you to deposit additional funds to cover your obligations under a derivative as the value of the derivative changes. If you fail to deposit these funds, we may close out your position without warning. You should understand all of your obligations under a derivative, including your obligations if the value of the derivative declines.

Using borrowed money to finance a derivatives transaction involves greater risk than using cash resources only. If you borrow money, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the derivative declines.

Derivative transactions are generally used for risk hedging purposes. They involve a high level of risk if they do not meet the requirements for hedging. When a combination of transactions involves a short portion whose amount exceeds the long position, it is leveraged. In a risk hedging framework, it is important to ensure that the potential commitment represented by short positions does not exceed the total amount of cash flow (or balance sheet item) to be hedged.

Futures

3. Collateral – Leverage

If a collateral deposit agreement is in place, the amount of the collateral deposit is low compared to the value of the futures contract. The transactions are therefore leveraged. A relatively small market movement will have a proportionally significant impact on the funds you have deposited or will have to deposit. This may work against you or for you. This means you may lose all of your initial margin funds and any addition funds deposited with DCM to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay a substantial additional amount on short notice to maintain your position. If you fail to comply with a request for additional funds within the prescribed timeframe, your position may be liquidated at a loss and you would be liable for any resulting deficit.

4. Strategies or orders designed to reduce risk

The placing of certain orders (e.g. ''stop loss'', where permitted under local law, or ''stop limit'' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as ''spread'' or ''straddle'' positions may be as risky as taking simple ''long'' or ''short'' positions.

Options

5. Variable degree of risk

Option transactions are more complex and may involve greater risk if they do not match your hedging needs. Purchasers and sellers of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position (see the Futures section above). If you paid a premium and the purchased options expire worthless, you will suffer a total loss of your investment, which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. If there is a collateral deposit agreement in place, the seller will be liable for additional margin required to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position whose value would be negative (see the Futures section above). If the option does not meet an actual need for hedging (financial cash flow, asset or liability), the risk of loss can be unlimited.

Other common derivatives risks

6. Contract terms and conditions

Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest. You will receive a notice from DCM if this happens.

7. Suspension or restriction of trading and price relationships

Market conditions (e.g., liquidity) and/or the operation of the rules of certain markets (e.g., the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase your risk of loss.

The absence of an underlying reference price may make it difficult to determine the “fair” value.

8. **Currency risk**

The profit or loss in transactions in foreign currency-denominated derivatives (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the derivative to another currency.

9. **Trading facilities**

Most electronic trading facilities are supported by computer based component systems for the order-routing, execution, matching, registration or clearing of trades.

As with all facilities and systems, they are vulnerable to temporary disruptions or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house or member firms. Such limits may vary.

10. **Electronic trading**

If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system, including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.