

## Risk Management Committee

The Bank's Board of Directors delegates certain roles and responsibilities set out below in this mandate, to the Risk Management Committee. The Committee supervises and approves the risk management framework, the main risk management policies, and risk tolerance limits. It monitors trends relating to the Bank's activities and ensures that they are consistent with the Bank's risk appetite.

Among the activities it performs as part of its mandate, the Committee:

- Ensures that material risks are managed proactively and that Management reports to the Committee on the assessment process and control measures for these risks.
- Makes recommendations on the risks resulting from the Board's strategic decisions and reviews certain investments and initiatives that could have a material impact on the Bank, including capital, liquidity and financing.
- Maintains open communication with Management concerning matters that fall under the Committee's responsibility.



## 1. RISK MANAGEMENT OVERSIGHT

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### 1.1. Risk management framework

- The Committee oversees the Risk Management Framework and approves important changes that are brought to it.
  - The framework describes, namely, the risk management processes established to identify, assess, measure, control and monitor the risks to which the Bank is exposed.
- The Committee reviews the Risk Appetite Framework and recommends its approval to the Board.
- The Committee monitors material risks, emerging risks as well as the exposure of the most exposed sectors in relation to its risk appetite and established limits.

### 1.2. Policies

- To implement the risk management framework, the Bank notably establishes policies. The Committee reviews certain risk management policies and approves them.
- The Committee periodically monitors material amendments that could be made to these policies and approves them.

### 1.3. Approval of limits

- The Committee approves the approval limits within which Management can act and reviews them periodically.

- The Committee approves the limits exceeding the powers delegated to Management for credit matters and certain investments.
- The Committee ensures that the portfolio limits of the business sectors with higher exposure are appropriate. On Management's recommendation, it can revise the limits in accordance with each sector's economic situation.

#### **1.4. Main and emerging risks**

- The Committee monitors the main and emerging risks that could have an adverse material impact on the Bank's financial results, reputation and long-term strategy, including:

##### **a. Environmental, social and governance (ESG) responsibility**

- The Committee performs its activities in accordance with the Bank's ESG practices and strategies.
- The Committee ensures that the risk management framework takes ESG risks into account and makes sure they are identified, appropriately monitored, and integrated into the existing risk management processes.

##### **b. IT risks**

- The Committee regularly monitors technological risks related to cyber risks and cyber crime.

##### **c. Data risks**

- The Committee is kept informed of data risks, including personal information.
- It is also kept informed of any confidentiality breach that could have a material impact on the Bank

## **2. CAPITAL, LIQUIDITY AND FUNDING MANAGEMENT**

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### **2.1. Capital plan**

- The Committee reviews the Bank's capital needs.
- It recommends that the Board adopt the main capital and risk targets, as well as the corresponding limits set out in the capital plan.

#### **Capital adequacy**

- The Committee reviews the capital adequacy required of the Bank to pursue its business activities.
- The Committee makes sure that Management adopts a capital adequacy assessment process.
  - The Committee recommends to the Board that it approve all new capital models and any material change to a capital model.

### **2.2. Liquidity management**

- The Committee periodically reviews the Bank's liquidity needs for its business strategy.

### 2.3. Funding plan

- The Committee annually approves the Bank's funding plan.

## 3. OVERSIGHT AND CONTROL MECHANISMS

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### 3.1. Reports to the Committee

- The Committee reviews various risk management reports and any document under its responsibility that emanate from regulatory authorities. These reports are used to help the Bank assess its exposure in relation to its risk appetite framework and approved thresholds, and to identify significant and emerging risks as well as trends.
- In order to properly manage risks, the Committee receives reports associated to:
  - credit, market, capital, liquidity, funding, operational (including third party and business continuity), insurance, and reputational risk
  - compensation risk
  - risk of non-compliance with regulations, including risk of money laundering and terrorist financing, international economic sanctions and corruption
  - evolution of impaired loans
  - disputes
- The Committee reviews reports on operational activities leading to material loss.
- The Committee reviews the level of compliance of the Bank's significant subsidiaries with the subsidiary corporate governance framework.

### 3.2. Material exceptions to policies

- The Committee reviews the material breaches to the compliance status of certain policies.

## 4. BUSINESS CONTINUITY

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### 4.1. Business continuity

- The Committee approves the Business Continuity Management Program of the Bank and its subsidiaries.
- Once a year, it reviews the Contingency and Recovery Plan, as well as the Resolution Plan in the event of a financial crisis and recommends that the Board approve them.

### 4.2. Stress testing

- The Committee approves the results of stress tests.
  - By simulating specific scenarios, these tests measure the regulatory capital level required to absorb potential losses and assess the impact on the Bank's solvency.

## 5. ROLE OF AND RESPONSIBILITIES TOWARD THE OVERSIGHT FUNCTIONS AND THE CHIEF ANTI-MONEY LAUNDERING OFFICER (“CAMLO”)

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The Committee entrusts certain responsibilities to Bank resources, such as the Risk Management and Compliance oversight functions and the Chief Anti-Money Laundering Officer functions:

- **The Risk Management oversight function:** This function is performed by the Executive Vice-President – Risk Management who must take an independent, integrated approach in identifying, measuring and overseeing the risks to which the Bank is exposed.
- **The Compliance oversight function:** This function is performed by the Senior Vice-President – Corporate Compliance who acts as the Chief Compliance Officer and is responsible for implementing and overseeing the framework for managing the risk of regulatory non-compliance across the Bank.
- **Anti-Money Laundering and Terrorist Financing:** The Chief Anti-Money Laundering Officer (CAMLO) is designated to implement the Anti-Money Laundering and Anti-Terrorist Financing Program.

### 5.1 Oversight functions

#### Appointment of the Executive Vice-President – Risk Management and the Senior Vice-President – Corporate Compliance

- The Committee reviews the recommendations of the President and Chief Executive Officer of the Bank concerning the appointment or replacement of the Executive Vice-President – Risk Management and the Senior Vice-President – Corporate Compliance. The Committee then makes its recommendations to the Board.
- Once a year, the Committee reviews the succession plans for oversight function heads. The Committee then makes its recommendations to the Board.

#### Mandate

- The Committee approves the mandates of the oversight functions annually.
- The Committee ensures that the oversight functions have the necessary and appropriate resources and structure to fulfill their mandate.
- The Committee approves the budgets of the oversight functions annually.

#### Independence

- The Committee ensures the independence and effectiveness of the oversight functions. To fulfill this role, it ensures that these oversight functions are free of any influence that could adversely affect their ability to carry out their responsibilities objectively. The Committee also ensures that these oversight functions have sufficient stature and authority within the Bank.
- The Executive Vice-President – Risk Management reports to the President and Chief executive Officer of the Bank and has direct access to the Committee and its Chair
- To ensure the independence of these oversight functions, the Committee ensures that:
  - The Chief Compliance Officer reports to an appropriate line level, has direct access to the President and Chief Executive Officer, to the Committee and its Chair, and, for functional purposes, a direct relationship to the Chair of the Committee
  - The oversight functions have access to the information they require

- They regularly meet with the Chair of the Committee without Management present in order to review matters raised concerning relations with the Bank's Management and access to required information

### **Performance assessment, compensation and oversight**

- The Committee periodically assesses the effectiveness of the oversight functions and the oversight process. To fulfill this role, with the assistance of independent external consultants, it benchmarks these oversight functions and their processes.
- The Committee annually reviews the performance of the Executive Vice-President – Risk Management and the Chief Compliance Officer, and helps determine their compensation. The Committee then makes its recommendations to the Board.

## **5.2 Chief Anti-Money Laundering Officer (CAMLO)**

### **Mandate and appointment of the CAMLO**

- The Committee appoints the CAMLO who acts on behalf of the Bank and its subsidiaries.
- Once a year, the Committee approves the mandate of the CAMLO.

### **Independence**

- The Committee ensures the independence and effectiveness of the CAMLO. To fulfill this role, it ensures that these oversight functions are free of any influence that could adversely affect their ability to carry out their responsibilities objectively. The Committee also ensures that the CAMLO has sufficient stature and authority within the Bank.
- To ensure the independence of the CAMLO, the Committee ensures that:
  - The CAMLO reports to an appropriate line level, has direct access to the President and Chief Executive Officer, to the Committee and its Chair
  - The CAMLO has access to the required information

## **6. POWERS**

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### **6.1. Hiring Independent External Consultants**

- The Committee may hire legal advisors or other independent external consultants to assist it in fulfilling its responsibilities.
- The Committee sets and pays its consultants' compensation. The Bank provides the funds necessary to pay for the services provided by these consultants.

### **6.2. Investigating and having access to the books, registries, premises, officers and employees**

- The Committee may investigate any issue it deems relevant. To conduct its investigation, it may have full access to the Bank's books, registries, premises, officers and employees.

### **6.3. Delegating powers to a sub-committee**

- The Committee may, at its discretion, designate a sub-committee to review any issue raised by the current mandate.

#### **6.4. Contacting officers and employees directly**

- The Committee may contact the Executive Vice-President – Risk Management, the Chief Compliance Officer and any other Bank officer or employee directly.

#### **6.5. Performing any duties assigned to it or stipulated by law**

- The Committee performs any duty required by legislation in effect or any duty assigned to it by the Board from time to time.
- The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.

#### **6.6. Related Parties transactions**

- The Committee approves any transactions between the Bank, its subsidiaries and a related party, except those already permitted by the Law or an internal policy or those that must be submitted to the Board for approval

#### **6.7. Banks' subsidiaries**

- The Committee can act as a risk management committee for any subsidiary of the Bank where permitted under its incorporating act. As such, it fulfills all the duties falling upon such committee, in accordance with legislation.

#### **6.8. Continuing Education**

- The Committee stays informed of legislative and regulatory changes related to risk management.
- It informs the Board of such changes or new developments.
- To stay informed on matters relating to its mandate, the Committee attends information sessions on matters that fall under its expertise.

### **7. COMPOSITION**

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#### **6.9. Composition of the Committee**

- Appointed by the Board and composed of Board directors
- Minimum of three members
- A majority of the members consists of directors who are not affiliated with the Bank; no employee or officer of the Bank or one of its subsidiaries may therefore be part of it.
- Members appointed by the Board
- One Chair, appointed by the Board from among the Committee members
- One secretary, who is the secretary of the Bank, an assistant secretary or any other person designated by the secretary of the Bank
- The composition of the Committee is reviewed each year

#### **6.10. Chair of the Committee**

- The duties of the Committee Chair are set out in the mandate of the Chairs. The Committee Chair may ask the Chair of the Board to have certain matters for which the Committee is responsible submitted to the Board.

## 7.1. Selection Criteria for Committee members

### Be independent

- Every member must be independent as defined by the Canadian Securities Administrators.

## 7.2. Term of Mandate for Committee Members

### Duration

All members carry out their duties until a successor is appointed, or until they:

- resign
- are relieved of their duties
- no longer sit as Board directors

### Replacing a member after their departure during the year (vacancy)

- A vacancy on the Committee is filled by the Board as it deems appropriate.
- If it does not appoint a new member and the Committee has the required minimum number of members, the Committee's decisions will be valid.

## 8. MEETINGS

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### 8.1. Dates of meetings

#### Regular meetings scheduled in advance

- At least one meeting per quarter
- Dates, times, goals and locations of meetings are set in advance by the Board. This information is sent to members annually. No other notice is sent.

#### Unscheduled meetings called during the year (as needed)

##### Who may call them?

- Unscheduled meetings may be called by:
  - ✓ The Chair of the Committee
  - ✓ Any other Committee member
  - ✓ The Chair of the Board
  - ✓ The President and Chief Executive Officer
  - ✓ The Executive Vice-President – Risk Management
  - ✓ The Chief Compliance Officer

##### Date, time and location of such a meeting

- The date, time, goal and location of the meeting are sent by any means of communication, without any required additional notice. The notice also states the purpose of the meeting.

##### Notice of meeting required unless exception:

- *24-hour notice:* Members must be advised about an unscheduled meeting no less than 24 hours before the time and date set for the meeting.
- *Waiver of notice:* The presence of a member at a meeting constitutes a waiver of this notice of meeting, except if this member is present to specifically oppose the review of any issue, claiming that the meeting was not called in due form.
- *Exception No. 1 – Two-hour notice:* The notice may be sent two hours in advance if there is an emergency called by the Chair of the Board, the Chair of the Committee or the President and Chief Executive Officer.
- *Exception No. 2 – Without notice:* An unscheduled Committee meeting may be held without notice when all Committee members are present or when the absent members provide a written waiver of notice of the meeting.

### **Exceptional meetings of the Board to review matters of interest to the Committee**

- The Committee Chair may call a meeting of the Board to discuss matters of interest to the Committee.

### **8.2. Attendance: in person or remotely**

- Meetings may be held by telephone or via any other means that enable all members to communicate with each other adequately and simultaneously. The person participating remotely is presumed to be in attendance.

### **8.3. Individuals who may be Invited to Meetings**

#### **President and Chief Executive Officer**

- He or she may attend every meeting of the Committee.

#### **Chair of the Board of directors**

- He or she may attend every meeting of the Committee.

#### **Any other person invited by the Committee**

- They can attend part of or the entire meeting, based on what has been agreed with the Committee.

#### **In camera meeting**

- Part of the meeting must always take place in the absence of the President and Chief Executive Officer or any other Bank officer.
- Each quarter, the Committee meets individually and in camera with the Executive Vice-President– Risk Management and the Chief Compliance Officer.

### **8.4. Minimum Number of Members to hold a Meeting of the Committee (quorum)**

- A majority of the Committee members must be present: If a member is temporarily absent from a meeting because the topic discussed puts them in a conflict of interest, they will be considered to be present for the meeting (subsection 182(3) of the Bank Act).
- Not enough members present for quorum? The Committee Chair can ask the Chair of the Board to act as a member of the Committee for this meeting and give them voting rights, unless the Chair of the Board is already a member of the Committee.



### **8.5. Vote**

- All decisions to be made by the Committee must be voted on.
- Majority vote: The decisions voted on by the Committee must be approved by a majority vote of the members present.
- Unanimous vote if the meeting only includes two members: If the Committee is composed of three members and only two members attend a meeting, the decisions to be voted on must be passed unanimously.

### **8.6. Minutes of the Meeting**

- Minutes: The secretary is responsible for drafting the minutes after each Committee meeting. These must be approved by Committee members before being filed with the records of minutes. These minutes are provided to all directors at the next Board meeting for information purposes.
- Oral report of the Chair to the Board: The Committee Chair must present an oral report on the deliberations and recommendations of the Committee at the next Board meeting.