

RISK COMMITTEE CHARTER

FCC Board of Directors

Last revised: December 8, 2021 (Board Minute No. 21/22:05:10)

OVERALL RESPONSIBILITIES

The Risk Committee of the Board of Directors has the mandate to assist the Board in fulfilling its oversight responsibilities with respect to managing risk by:

- reviewing and recommending for approval the corporation's risk appetite and tolerances
- overseeing the corporation's adherence to risk tolerances and limits
- approving the corporation's significant risk management policies
- advising on the risk impact of strategic and emerging issues and new products and services
- overseeing an effective risk management function on an enterprise-wide basis

RESPONSIBILITIES AND DUTIES

The Risk Committee is responsible for performing the following duties and responsibilities on behalf of the Board under the following categories:

- A. Risk appetite and tolerances
- B. Risk policies
- C. Monitoring significant risks
- D. Chief Risk Officer and risk management function
- E. Capital adequacy

A. Risk appetite and tolerances

Responsibility:

The Risk Committee is responsible for overseeing the corporation's risk appetite framework, including the risk appetite statement, tolerances and limits.

Duties:

- At least annually, review and recommend for approval by the Board of Directors the corporation's risk appetite statement.
- At least annually, review and approve the corporation's risk appetite framework and policy.
- Quarterly, review management's reports on the corporate adherence to the risk tolerances and limits.
- At least annually, review and confirm the alignment of the corporation's strategic plan with the risk appetite.
- Advise on the risk impact of any strategic decision contemplated by the corporation upon request by the Board.

B. Risk policies

Responsibility:

The Risk Committee is responsible for overseeing the enterprise risk management framework, including the internal control framework and risk management policies as assigned by the Board.

Duties:

- Review and recommend to the Board for approval the enterprise risk management framework and policy, establishing the requirements and governance for managing risk, including the internal control framework and the authorities and accountabilities that foster a risk culture of integrity and effective risk management throughout the corporation.
- Review and approve annually the risk management policies assigned by the Board to identify, accept, monitor, manage and report on the significant risks to which the corporation is exposed.
- Obtain, on a regular basis, reasonable assurances from management that the corporation's risk management policies for significant risks are being adhered to.

- Receive and review updates from management on financial crimes.
- Conduct or authorize investigations into any matters that the committee believes are within the scope of its responsibilities.

C. Monitoring significant risks

Responsibility:

The Risk Committee is responsible for overseeing the monitoring of significant categories of risk of the corporation, including risks inherent in retail, corporate and commercial lending, venture capital, software, and alliance partnerships as well as ongoing operations core to financial institutions. These risks include financial (credit, market, and liquidity risks), strategic, operating (including financial crime and technology related risks) and reputation.

Duties:

- Review regular reports and other information on the significant and emerging risks facing the corporation and satisfy itself that significant and emerging risks are identified, assessed and managed in accordance with the enterprise risk management framework and policy.
- Review and approve the corporation's stress testing annual program and results and oversee the enterprise crisis framework.
- Review compliance with the risk limits and the policies assigned by the Board.
- Review the corporation's risk assessment processes relative to new strategies, products and services

D. Chief Risk Officer and risk management function

Responsibility:

The Risk Committee is responsible for overseeing the performance of the risk management function. The Chief Risk Officer is the committee's representative in the corporation.

Duties:

- Review and concur in the appointment or removal of the Chief Risk Officer.
- Review the Chief Risk Officer's assurances regarding the resourcing of the risk management function.
- Annually review the state of the risk culture in the corporation.
- Periodically review the authorities granted to the Chief Risk Officer by the Chief Executive Officer.
- Establish unfettered access and a functional reporting line between the risk management function and the Risk Committee, and seek assurances from the Chief Risk Officer that the oversight of risk management activities of the corporation are independent from the business lines and operational management, and have appropriate status and visibility throughout the corporation.
- Review the findings and reports of examinations by regulatory agencies of the corporation, except for the financial affairs of the corporation.

E. Capital adequacy

Responsibility:

The Risk Committee is responsible for overseeing management's assessment and evaluation of the effectiveness of its systems and programs related to the calculation of its capital requirements.

Duties:

- Review reports prepared by management on the corporation's capital adequacy.
- Annually approve capital management policies of the corporation.

MEMBERSHIP AND MEETINGS

1. **Membership:** The committee composition will be considered and confirmed by the Corporate Governance Committee based on the number of directors at the time of committee renewal. All directors must be independent of management of the corporation and free from any business or other relationship that could impair, or be perceived to impair, the exercise of independent judgment. Members should consult with the Corporate Secretary to discuss and clarify any potential areas of conflict of interest.

2. **Skills and experience:** Committee members should have the skills and experience to fulfil their responsibilities or be ready and willing to obtain them through appropriate information and training. All members should have an understanding of risk management concepts (or be willing and able to acquire the necessary knowledge within a reasonable period of time). At least one member should have expertise in risk management concepts and practices relevant to the organization's operations.
3. **Appointment:** The committee Chair and members of the committee are appointed by the Board on the recommendation of the Corporate Governance Committee and the Board Chairperson and serve at the pleasure of the Board until replaced. Any member of the committee may act as committee Chair, but cannot also be the Board Chairperson or CEO. The committee secretary is the Corporate Secretary or designate, who need not be a director. If the position of committee Chair is vacant or if the Chair is absent or unable to act, the Board Chairperson may designate, or the committee may elect, an acting committee Chair for the meeting.
4. **Reporting to Board:** At the first meeting of the Board following each committee meeting, the committee Chair reports on the activities and findings of the committee and, where applicable, presents the committee's recommendation(s) to the Board for approval.
5. **Advisers:** Where the committee believes there are skills and experience required of its members that cannot sufficiently be provided by them, the committee may supplement its capacity through the appointment of an adviser. An adviser participates at the pleasure of the committee. An adviser is not a member of the committee, but has the ability to fully participate in the discussion. An adviser cannot be an employee of the corporation and has no right to vote. The corporation may provide remuneration and may agree to indemnify the adviser as the committee recommends and the Board approves, in consultation with the corporation and its legal advisers. Nothing in this paragraph will be interpreted as precluding the committee, at any time or from time to time, from engaging internal or external consultants to assist the committee in carrying out its duties.
6. **Quorum:** A quorum consists of a majority of the members present at a meeting, not including any adviser(s). In the case of a tied vote, the committee Chair has, in addition to the Chair's original vote, a deciding vote.
7. **Meetings:** The committee meets at least four times each year. Meetings are held at the call of the committee Chair and may also be called at the request of the Chief Risk Officer. Committee members are given at least 48 hours' notice of a meeting.
8. **In-camera:** At each meeting, the committee meets separately in-camera, with or without any other meeting participant such as the Chief Risk Officer and other senior management representatives or an adviser, to discuss the relationship between them and any problems or issues related to fulfillment of the committee's responsibilities and duties.
9. **Conduct of meetings:** Meetings may be held in person or by teleconference, video conference, or other electronic means.
10. **Agenda and materials:** The committee Chair establishes agendas in consultation with committee members, management and the Chief Risk Officer and ensures materials are circulated to members in sufficient time for review before the meeting.
11. **Information needs:** The committee should have access to accurate, relevant and timely financial and non-financial information, industry and other external data to determine industry benchmarks and best practices, and other comparative information that is prepared on a consistent basis.
12. **Governance:** The committee:
 - Reviews and assesses the adequacy of this charter and makes recommendations to the Corporate Governance Committee with respect to any proposed changes for approval by the Board (every two years)
 - Outlines a schedule of activities and agendas (workplan) for its meetings (annually)
 - Assesses and confirms that all responsibilities outlined in this charter and the workplan have been carried out (annually)

History:

Enacted August 21, 2013	Board Minute No. 13/14:02:03
Revised December 9, 2015	Board Minute No. 15/16:04:10
Revised December 7, 2016	Board Minute No. 16/17:04:06
Revised October 18, 2017	Board Minute No. 17/18:03:08
Revised December 12, 2018	Board Minute No. 18/19:04:08
Revised December 11, 2019	Board Minute No. 19/20:05:09
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