

**Home Capital Group Inc.  
Risk and Capital Committee Charter**

# Home Capital Group Inc.

## Risk & Capital Committee Charter

### 1.0 Overall Role and Responsibility

The Risk & Capital Committee shall assist the Board of Directors (“Board”) in fulfilling its oversight responsibilities in relation to:

- (i) identifying and managing the Corporation’s risk
- (ii) reviewing and approving the Corporation’s overall risk philosophy and risk appetite
- (iii) reviewing and approving the Corporation’s risk capital policies and limits
- (iv) reviewing the effectiveness of the Corporation’s risk and capital practices
- (v) reviewing the Corporation’s adherence to internal risk and capital policies and procedures through timely management reporting.

### 2.0 Membership

2.1 The Committee shall consist of four or more Directors appointed annually by the Board. The Board determines how long committee members will serve.

2.2 All members of the Committee shall satisfy the independence standards established by the Board and the applicable independence requirements of the laws governing the Corporation.

2.3 The Board shall appoint one member of the Committee as the Committee Chair (“Chair”).

### 3.0 Meetings

3.1 The Committee shall meet as often as the Committee requires but not less than four times a year.

3.2 The Committee shall hold regularly scheduled meetings at which members of management are not present and periodically meet separately with the Chief Compliance Officer, the Chief Risk Officer and the Chief Anti-Money Laundering Officer.

3.3 The quorum for meetings of the Committee shall be three (3) of its members.

3.4 The Chair will consult with Committee members on the adoption of any resolution. However, the Chair will determine whether a resolution is to be adopted or rejected.

3.5 The Committee shall have unrestricted access to management and to employees of the Corporation.

3.6 The Corporate Secretary or his or her designate shall act as secretary of the Committee meetings. Minutes of the Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Committee for review and approval.

## **4.0 Performance Review**

The Committee shall annually review and assess and report on the performance of the Committee and the adequacy of this Charter and, where appropriate, shall recommend changes to the Board for the Board's approval.

## **5.0 Report to the Board**

The Chair of the Committee shall report to the Board on material matters arising at Committee meetings and shall present the Committee's recommendation(s) to the Board for the Board's approval.

## **6.0 Enterprise Risk Management (ERM) Accountabilities and Responsibilities**

The Committee shall be accountable and responsible for the items set out below as well as any other matters specifically delegated to the Committee by the Board.

- 6.1 Review and approve periodically overall ERM management strategies and policies. Ensure that an ERM policy is in place and is reviewed as required.
- 6.2 Review and establish with senior management the Corporation's risk capacity, risk taking philosophy and risk appetite.
- 6.3 Review with senior management, at least quarterly, reports demonstrating compliance with enterprise risk management policies.
- 6.4 Review and evaluate, at least quarterly, the Corporation's current exposures in relation to its capacity to bear risk and its stated risk appetite
- 6.5 Review with senior management the quality and competence of management appointed to administer ERM policies.
- 6.6 Discuss with senior management, at least quarterly, the Corporation's significant financial and non financial risk exposures and the steps senior management has taken to monitor and control such exposures, including the assignment of risk based capital, risk assessment and risk management and control policies.
- 6.7 Review all management reports concerning compliance by the Corporation and its directors, officers and employees with any investment provision of the Trust and Loan Companies Act (Canada) or other applicable statute or regulation.
- 6.8 Monitor the investment practices of the Corporation to ensure that the investment limits established do not exceed the limits of the Trust and Loan Companies Act (Canada) or its regulations, and report findings to the Board.

## **7.0 Capital Management Accountabilities and Responsibilities**

The Committee shall have accountability and responsibility for the items set out below as well as for any other matters that are specifically delegated to the Committee by the Board.

- 7.1 Review and approve periodically overall capital management strategies, and policies that govern capital management within the Corporation. Specifically, ensure that

an up to date Capital Policy and Capital Plan are in place and review such policies and plans as required.

7.2 Review and approve the Corporation's capital allocation among major classes of risk, business lines and geography and other basis for allocation as deemed appropriate by the Committee from time to time

7.3 Review and approve the Corporation's Internal Capital Adequacy Assessment Process (ICAAP)

7.4 Review with senior management, at least quarterly, reports demonstrating compliance with capital management policies.

7.5 Review with senior management the quality and competence of management appointed to administer capital management policies.

## **8.0 Credit Risk Accountabilities and Responsibilities**

The Committee shall have accountability and responsibility for the items set out below as well as for any other matters that are specifically delegated to the Committee by the Board.

8.1 Review and approve periodically overall credit risk management strategies and policies. Ensure that a credit risk policy is in place and is reviewed as required.

8.2 Recommend to the Board a credit policy for the Corporation that specifies credit underwriting standards.

8.3 Recommend to the Board changes to the Corporation's credit policy that the Committee considers necessary in order to meet changes in the credit climate.

8.4 Review loan loss provision methodologies on an annual basis

8.5 Review loan loss provision estimates on a quarterly basis

8.6 Review and make recommendations to the Board for approval of portfolio credit limits on an annual basis.

8.7 Monitor the credit practices of the Corporation to ensure that the Corporation is adhering to the credit policy approved by the Board and report the Committee's findings to the Board.

8.8 Review and recommend action on significant credit risk exposures, performance against limits, trends, practices, and allowances for credit losses that have enterprise-wide implications.

8.9 Make recommendations regarding the appropriateness of essential credit risk management processes, methodologies, reporting and adoption of industry "good practice".

## **9.0 Market Risk Accountabilities and Responsibilities**

(\* includes equity, liquidity and interest rate risks)

The Committee shall have the accountability and responsibility for the items set out below as well as for any other matters that are specifically delegated to the Committee by the Board.

- 9.1 Review and approve periodically overall market risk management strategies and policies. Ensure that a market risk policy is in place and is reviewed as required.
- 9.2 Recommend to the Board an investment policy for the Corporation that specifies the proportion of assets of the Corporation that shall be allocated to specific classes of investments and recommend procedures for implementing and monitoring the effectiveness of that policy.
- 9.3 Recommend to the Board changes to the Corporation's investment policy that the Committee considers necessary in order to meet changes in the investment climate.
- 9.4 Monitor the investment practices of the Corporation to ensure that the Corporation is adhering to the investment policy approved by the Board and report the Committee's findings to the Board.
- 9.5 Monitor investment practices of any subsidiary of the Corporation and every joint venture in which the Corporation is a participant to ensure adherence to prudent investment standards.
- 9.6 Review and report to the Board every valuation of investments that are not listed on any stock exchange in order to (i) ensure that the valuation was performed by a valuator who, in the opinion of the Committee, has a demonstrated ability to value investments with independence and proficiency, and to (ii) ensure that the valuation method used to ensure that the valuation is based upon sufficiently current information.
- 9.7 Review and approve periodically overall liquidity risk management strategies and policies. Ensure that a liquidity risk policy is in place and is reviewed as required.
- 9.8 Review with senior management, at least quarterly, reports demonstrating compliance with liquidity risk policies.
- 9.9 Review with senior management the quality and competence of management appointed to administer liquidity risk policies.
- 9.10 Review and approve appropriate liquidity risk assessment metrics and aggregation metrics/structure (e.g., what the metrics are, etc.).
- 9.11 Discuss with senior management, at least quarterly, the Corporation's major liquidity risk exposures and the steps that senior management has taken to monitor and control such exposures.
- 9.12 Review and recommend to the Board a liquidity contingency plan and recommend procedures for implementing that plan.
- 9.13 Review and approve periodically overall interest rate risk management strategies and policies. Ensure that an interest rate risk policy is in place and is reviewed as required.
- 9.14 Review with senior management, at least quarterly, reports demonstrating compliance with interest rate risk policies.
- 9.15 Review with senior management the quality and competence of management appointed to administer interest rate risk policies.
- 9.16 Review and approve appropriate interest rate risk assessment metrics and aggregation metrics/structure (e.g., what the metrics are, etc.).

9.17 Discuss with senior management, at least quarterly, the Corporation's major interest rate risk exposures and the steps that senior management has taken to monitor and control such exposures.

9.18 Review valuation of over-the-counter derivatives, as required.

## **10.0 Operational Risk Accountabilities and Responsibilities**

The Committee shall have accountability and responsibility for the items set out below as well as for any other matters specifically delegated to the Committee by the Board.

10.1 Review and approve periodically overall operational risk strategies and policies. Ensure that an operational risk policy is in place and is reviewed as required.

10.2 Review with senior management, at least quarterly, reports demonstrating compliance with operational risk policies.

10.3 Review with senior management the quality and competence of management appointed to administer operational risk policies.

10.4 Review and approve appropriate operational risk assessment metrics and aggregation metrics/structure (e.g., define what information needs to be aggregated to what level, what the metrics are, etc.).

10.5 Discuss with senior management, at least quarterly, the Corporation's significant operational risk exposures and the steps that senior management has taken to monitor and control such exposures.

## **11.0 Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Accountabilities and Responsibilities**

Applicable only to Home Trust Company.

## **12.0 Delegations of Authority**

12.1 The Committee shall recommend to the Board the duties and powers to be delegated to any subcommittee and/or to any employee of the Company.

12.2 The Committee shall review and report to the Board on any policy determined by the Committee, and the decisions made by a subcommittee, and/or by any employee of the Company and on the performance of any subcommittee and/or employee.

12.3 The Committee will meet (remotely, if necessary) and review any proposed event/transactions that would deviate from the stated enterprise risk management policies of the Company and either approve or reject them within the scope of authority granted the Committee by the full Board, provided 24 hour's notice is provided to the Committee.

## **13.0 Independent Advisors**

The Committee shall have the authority to retain such independent advisors as are necessary or advisable for its purposes. The expenses related to such engagement shall be funded by the Company.

Approved by the Board, October 26, 2007

Reviewed by the Board, March 11, 2009

Reviewed by the Board, February 9, 2010

Reviewed by the Board, March 9, 2011.