

Home Capital Group Inc.
Board of Directors Policy

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1.0 APPROVAL, REVIEW, AND REVISION HISTORY

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1.0	First approval	Board of Directors	June 18, 2019

2.0 POLICIES

A. BOARD EFFECTIVENESS

The Board of Directors (the “Board”) of Home Capital Group Inc. (individually, and together with its subsidiaries, the “Corporation”) believes that in order to be effective, it must be independent of management and that its role is to provide objective oversight of, thoughtful guidance, advice and constructive challenge to management. In order to be effective, the Board and each of its members must demonstrate sound judgment, initiative, proactiveness, responsiveness and operational excellence. Board members should strive to facilitate open communication, collaboration and appropriate debate in the decision-making process.

The Board should be diverse, and its members should bring a balance of expertise, skills, experience, competencies and perspectives appropriate to the Corporation’s strategy, risk profile, culture and operations. The contribution of any particular Board member will reflect their particular expertise, skills, experience and competencies. The Board believes that appropriate representation of relevant financial industry and risk management expertise is critical to the future success of the Corporation.

B. DIRECTOR INDEPENDENCE POLICY

The Board has adopted the independence standards set out in this policy. These standards are derived from the standards under applicable securities laws as to when a director qualifies as “independent”, as well as the standards under applicable financial institution regulations as to when a director qualifies as “affiliated”.

In order to qualify as independent under this policy, a director must be both independent and not affiliated with the Corporation under those rules. To the extent that any provision of National Instrument 52-110, or of the *Affiliated Persons (Trust and Loan Companies) Regulations* or the *Affiliated Persons (Banks) Regulations* (together, the “Financial Institution Regulations”) is modified, amended or interpreted after the date these standards were last reviewed by the Board, any standards of this policy that are derived from that provision is automatically modified, amended or interpreted, as the case may be, to have the same effect.

A director is considered independent only where the Board affirmatively determines that the director has no material relationship with the Corporation, including as a partner,

shareholder, or officer of an organization that has a material relationship with the Corporation.

A “**material relationship**” is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of the director’s independent judgment and includes an indirect material relationship.

The Board, through the Governance and Nominating Committee, shall make an annual determination concerning the independence of each director at the time the Board approves director nominees for inclusion in the Corporation’s Management Information Circular, as well as at such other time when a director becomes a member of the Board.

In determining whether a director is independent, the Board shall apply the Standards set out below.

- i. A director who is, or whose spouse is, an employee or executive officer of the corporation or its affiliates is not independent.
- ii. A director who has been within the last three years an employee or executive officer of the corporation is not independent.
- iii. A director whose immediate family member is, or has been within the last three years, an executive officer of the corporation is not independent.
- iv. A director who received, or whose immediate family member who is employed as an executive officer of the corporation received, more than \$75,000 in direct compensation from the corporation during any twelve-month period within the last three years is not independent. Direct compensation does not include remuneration for acting as a member of the board or its committees or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the corporation if the compensation is not contingent in any way on continued service.
- v. A director who is or has been, or whose immediate family member is or has been, (a) within the last three years a partner or employee of a firm that is the internal or external auditor of the corporation is not independent or (b) a partner or employee of a firm that is the internal or external auditor of the corporation and personally worked on the audit of the corporation within that time is not independent.
- vi. A director whose immediate family member is an employee of a firm that is the internal or external auditor of the corporation and participates in such firm’s audit, assurance or tax compliance (but not tax planning) practice is not independent.
- vii. A director who is or who has been within the last three years, or whose immediate family member is or has been within the last three years, employed as an executive officer of another entity or company where any of the present executive officers of the corporation at the same time serve or served on that entity’s or company’s compensation committee is not independent.
- viii. A director who has, or whose spouse has, a significant interest in a class of shares of the corporation is not independent.
- ix. A director who has, or whose spouse has, a substantial investment in an affiliate of the corporation is not independent.

- x. A director who is, or whose spouse is, a significant borrower in respect of the corporation, an officer or employee of a significant borrower in respect of the corporation, or a person who controls one or more entities of which the total indebtedness to the corporation or an affiliate of the corporation would cause those entities, if treated as a single entity, to be a significant borrower of the corporation is not independent.
- xi. A director who provides, or whose spouse provides, goods or services to the corporation, or who is or whose spouse is a partner or employee in a partnership that provides goods or services to the corporation or an officer or employee of, or a person who has a substantial investment in, a body corporate that provides goods or services to the corporation, where the total annual billings to the corporation exceed 10% of total annual billings of the director, director's spouse, partnership or body corporate, as applicable, is not independent.
- xii. A director who has, or whose spouse has, a loan that is not in good standing¹ from the corporation or its affiliates, or who is or whose spouse is a director, an officer or an employee of, or person that controls, an entity with a loan that is not in good standing from the corporation or its affiliates, is not independent.

A majority of the board shall be independent as set out above. All members of the Audit and Conduct Review Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee shall be independent in accordance with these standards. The board has discretion regarding any requirement for independent membership for the risk and capital committee and other standing and *ad hoc* committees of the board.

In addition to the foregoing, the Chief Financial Officer of the Corporation should not serve as a director. A director or an immediate family member of a director should not provide legal, consulting or financial services to the Corporation, and a director or an immediate family member of a director should not receive any financial or non-financial benefits from commercial transactions undertaken by the Corporation.

The Board and its Committees will demonstrate their independence by, among other things, regularly meeting without members of management being present.

DEFINITIONS

Any term that is used in this Policy but not defined has the meaning set out in applicable securities law or the applicable Financial Institution Regulation.

For the purposes of this Policy, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

“Spouse” includes a common law partner.

“**Immediate family member**” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person’s home.

“**Executive officer**” means a chair or vice chair (where the person performs the function on a full time basis), president, any vice president in charge of a principal business unit, division or function (including sales, production or finance), any officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity or any other person who performs a policy-making function in respect of the entity.

“**Significant borrower**” means (i) a natural person who has indebtedness for money borrowed from the Corporation, Home Trust Company or any affiliate thereof, other than a loan secured by a mortgage on the person’s principal residence, the total principal of which exceeds the greater of (a) \$200,000, and (b) 1/50th of 1% of Home Trust Company’s or Home Bank’s regulatory capital, or (ii) an entity that has indebtedness for money borrowed from the Corporation, Home Trust Company or any affiliate thereof the total principal of which exceeds the greatest of (a) \$500,000, (b) 1/20th of 1% of Home Trust Company’s or Home Bank’s regulatory capital, and (c) 25% of the value of the entity’s assets.

A person has a “**significant interest**” in the Corporation where the aggregate of (i) any shares of that class beneficially owned by the person, and (ii) any shares of that class beneficially owned by entities controlled by the person, exceeds 10% of all of the outstanding shares of that class of shares of the Corporation.

A person has a “**substantial investment**” in a company if the person and any entities controlled by the person together beneficially own shares (i) to which are attached voting rights exceeding 10% of the voting rights attaching to outstanding voting shares of the company; or (ii) which represent ownership of more than 25% of the shareholders’ equity of the company. A person and any entities controlled by the person has a substantial investment in an unincorporated entity where the aggregate of any ownership interests, however designated, into which the entity is divided exceeds 25% of all the ownership interests into which the entity is divided.

“**A loan not in good standing**” means a loan in respect of which (i) any payment of principal or interest is 90 days or more overdue, (ii) interest is not being accrued on the books of the lender because it is doubtful whether the principal or interest will be paid or recovered or (iii) the rate of interest is reduced by the lender because the borrower is financially weak.

C. BOARD AND COMMITTEE CHAIRS

The roles of Chair of the Board and CEO will not at any point in time be held by the same person. The Chair of the Board and each of its committees shall be independent, non-executive directors.

The Chair of the Board and the Chair of each of its committees should be experienced, skillful and exhibit leadership that encourages open discussion and appropriate debate. Each such Chair shall frequent dialogue with, and a strong level of influence among, other Board members and management and shall have access to all Corporation information and staff. The Chair of the Board will also foster direct and ongoing dialogue with the Corporation’s regulators.

D. MAJORITY VOTING POLICY

In order to comply with the TSX listing requirements, the Board of Directors (“Board”) must accept the resignation of a director who does not receive a majority of the votes cast for his or her election in the absence of exceptional circumstances.

- i. In an uncontested election of Directors (an election where the number of nominated Directors is the same as the number of Directors to be elected), any nominee for Director who receives a greater number of votes “withheld” from his or her election than votes “for” his or her election shall promptly tender his or her resignation to the Chair of the Board following certification of the shareholder vote.
- ii. The Governance and Nominating Committee will promptly consider the resignation submitted by a Director receiving a greater number of votes “withheld” from his or her election than votes “for” his or her election, and the GN Committee shall recommend to the Board that the Board accept the resignation of the Director absent exceptional circumstances.
- iii. The Board shall accept the resignation of the Director, absent exceptional circumstances, within 90 days of the shareholders’ meeting. The Board will promptly publicly disclose, in a news release, the Board’s decision and the Board will provide a full explanation of the process by which the decision was reached. A copy of the news release with the Board’s decision will be provided to the Toronto Stock Exchange.
- iv. To the extent that one or more Directors’ resignations are accepted by the Board, the Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.
- v. Any Director who tenders his or her resignation pursuant to this Policy will not participate in the Committee’s recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Committee received a greater number of votes “withheld” from their election than votes “for” their election at the same election, then the independent Directors who are on the Board who did not receive a greater number of notes “withheld” from their election than votes “for” their election will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject the tendered resignations. This Board committee may, but need not, consist of all of the independent Directors who did not receive a greater number of votes “withheld” from their election than votes “for” their election.

E. DIRECTOR TENURE AND RESIGNATION

Term Limits: *Normal Term*

The Board must maintain, where appropriate, and acquire as necessary, the expertise to carry on its duties, in the best interests of the Corporation. This Policy attempts to maintain a balance between experience and learning on the one hand, and the need for renewal and fresh perspectives on the other.

Directors are expected to serve up to a maximum of 10 years assuming they receive solid annual performance assessments and are annually re-elected by the shareholders.

Resignation of a Director

This Policy requires a Director to provide notice of resignation to the Chair of the Board in certain circumstances. These circumstances include, but are not limited to:

- No longer satisfying Director qualification requirements under applicable law;
- Becoming aware that personal circumstances may have an adverse impact on the reputation of the Corporation; and
- At the end of the normal term as specified in this Policy.

The Board will, upon the recommendation of the Governance and Nominating Committee, accept a Director's resignation. The Director who tenders a resignation will not be part of the decision-making process concerning his or her resignation.

E. APPOINTMENT AND ROTATION OF COMMITTEE MEMBERS

The Governance and Nominating Committee and the Board of Directors will apply the following guideline when recommending and appointing Directors to Board Committees:

- i. Appoint Directors to Board Committees taking into consideration the independence, experience, qualifications, diversity and desires of individual Directors, the needs of each Committee and the requirements of applicable law.
- ii. Rotate Directors (including Committee Chair) from time to time with particular focus on Directors who have been on the same Committee for five years, provided that appropriate experience is maintained on each Committee.

G. INTERLOCKING AND OVER-BOARDING

No more than two Directors should serve on the same public company board or committee, at any time.

No Director shall serve on the same public company board or committee (other than those of the Corporation) as an Executive Officer of the Corporation.

No Director shall simultaneously serve on more than four public company boards, in addition to serving on the Board of the Corporation.

Directors who are also executive officers of the Corporation or another public company shall not serve on more than one other public company board, in addition to serving on the Board of the Corporation.

H. DIRECTOR EDUCATION

i. Director Orientation

The Corporations will deliver to each new Director an orientation plan that provides the opportunity to understand the operations of the Corporation, its products and employees. The orientation plan should include the following:

Self-Study Materials: The Corporate Secretary's office will arrange for certain written materials to be provided to new Directors as soon as practicable following the new Director's election or appointment. The materials should include, but are not limited to, the following:

- Code of Conduct and Ethics Policy and related policies
- OSFI Corporate Governance Guidelines
- The Corporations' organizational charts and contact information
- Current Annual Report, Quarterly Report, Management Information Circular and Annual Information Form
- Directors' and Officers' Liability Insurance information
- Board and Committee Mandates and Working Plans
- Board of Directors Policy
- Board and Officer Position Descriptions
- Board and Committee meeting dates
- Anti-Money Laundering and Anti-Terrorist Financing information

Formal Meetings: The Corporate Secretary's office will arrange formal on-site meetings for new Directors to meet with members of senior management and business unit leaders to provide new Directors the opportunity to communicate directly with the senior management team. At a minimum, new Directors will meet with the following individuals:

- Chief Executive Officer
- Chief Financial Officer
- Executive and Senior Vice Presidents responsible for the Corporation's operations and business lines
- Corporate Secretary

Informal Meetings: Informal meetings with the Chair of the Board and other Directors provide a valuable opportunity to establish rapport and understand the Board's dynamics. New Directors are strongly encouraged to take advantage of opportunities for social interaction with all Directors. The Corporate Secretary's office will assist in arranging informal meetings.

Board Portal Training: The Corporate Secretary's office will arrange for the new Director to be provided with training on the Board Portal as soon as possible after the election or appointment of the new Director.

ii. Continuing Education for Directors

Directors are expected to maintain a level of expertise needed to execute their roles and responsibilities. At the direction of the Governance and Nominating Committee, the Corporation will, from time to time, provide internal continuing education sessions in conjunction with scheduled Board meetings to assist Directors in

maintaining their expertise and continuing to develop their knowledge of the Corporation's operations, products and employees.

Directors are also expected to stay abreast of developments in corporate governance, the industry in which the Corporations participate and best practices relevant to their contribution to the Boards generally as well as to their responsibilities in their specific committee assignments and other roles. Directors are encouraged to review appropriate reports provided by management including, but not limited to, analyst reports and trade publications to enhance their knowledge.

Directors are encouraged to attend specialty conferences to improve skills, professional qualifications and experience.

With the prior approval of the Chair of the Board, a Director may attend an appropriate accredited director education program at the cost and expense of the Corporation.

iii. Individual Director Commitment to Education and Development

At the request of the Chair of the Board or a Director, that Director shall prepare and review with the Chair of the Board an individual development schedule for the Director for the ensuing year. It should set out in summary form the Director's development goals for the year and education activities contemplated to be taken in the year.

iv. Conference Selection and Related Guidelines

The Corporation will pay the costs of attending appropriate conferences as follows:

- Conferences must be directly related to organizational governance, financial literacy, board effectiveness and related topics, or the responsibilities of the Director in their capacity as Board and/or Committee members
- Conferences should be held within Canada or the United States
- Attendance at a conference should not conflict with a regularly scheduled Board meeting
- If requested by the Board, Directors shall provide an oral report to the Board on any conferences attended

The Corporate Secretary shall maintain a database of conferences attended by Directors and a summary of their oral reports to assist Directors in determining whether a conference program would be of assistance in their development activities.

v. Education and expenses

Travel and other expenses of a Director attending a conference or other educational program are reimbursed as follows:

- The conference or educational program should be approved by the Chair of the Board or the Chair of the Governance and Nominating Committee
- Directors must submit actual expenses supported by original receipts

- Registration, travel and other reasonable expenses of a Director attending a conference or other educational program will be reimbursed
- Time spent by Directors traveling to and from conferences is not compensable
- In any one calendar year, the educational expenses of an individual director may not exceed \$5,000, except with the consent of the Chair of the Board

Directors serving on multiple boards are encouraged to obtain pro rata reimbursement of their director education expenses from each company that they serve.

3.0 ACCOUNTABILITY, DELEGATION OF AUTHORITY AND OWNERSHIP

The Corporate Secretary has ownership of and overall accountability for this Policy.

4.0 POLICY APPLICATION

The Policy applies to all Directors of Home Capital Group Inc., Home Trust Company and Home Bank.

5.0 REVIEW AND DEVELOPMENT CYCLE

The Policy will be subject to review at least every three years by the Board of Directors.

6.0 EFFECTIVE DATE

The Policy takes effect on the date it is approved by the Board of Directors.