

**Home Capital Group Inc.  
Home Trust Company  
Home Bank  
Risk and Capital Committee Charter**



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**Home Trust Company**  
**Home Bank**  
**Risk and Capital Committee Charter**

**1.0 Overall Role and Responsibility**

The Risk & Capital Committee (the “**Committee**”) shall assist the Board of Directors (“**Board**”) of Home Capital Group Inc., Home Trust Company and Home Bank (collectively the “**Corporation**”) in promoting the Corporation’s risk and compliance culture and fulfilling its oversight responsibilities for the management of all significant risks to the Corporation. The Committee is responsible for providing independent oversight and challenge to management, including reporting by internal management risk committees. In addition, the Committee is responsible for providing oversight of the independence and effectiveness of the Enterprise Risk Management (ERM) function.

**2.0 Membership**

- 2.1 The Committee shall consist of three (3) or more Directors appointed annually by the Board. Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine.
- 2.2 Each member 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 (1) member of the Committee as the Committee Chair (“**Chair**”) and may appoint one (1) member as Vice Chair.
- 2.4 Each member of the Committee shall have sufficient knowledge of risk management in financial institutions.

**3.0 Meetings**

- 3.1 The Committee shall meet as often as the Committee requires but not less than four (4) meetings annually.
- 3.2 The Committee shall hold regularly scheduled meetings at which members of management are not present and periodically meet separately with the Chief Risk Officer.
- 3.3 The quorum for meetings of the Committee shall be two (2) of its members.
- 3.4 The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.
- 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, self-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 Provide oversight of the management of all significant risks to the Corporation by:
  - 6.1.1 Reviewing, challenging and recommending Board approval of the Corporation's risk management policy and framework;
  - 6.1.2 Reviewing, challenging and recommending Board approval of the risk appetite framework and risk appetite statement, including quantitative key risk indicators and qualitative key risk principles;
  - 6.1.3 Providing leadership in the effective governance and oversight of the Corporation's risk profile;
  - 6.1.4 Reviewing, challenging and approving the Corporation's risk and capital policies;
  - 6.1.5 Reviewing the effectiveness of the Corporation's risk and capital practices; and
  - 6.1.6 Reviewing adherence to internal risk and capital policies through quarterly management reporting.
- 6.2 Review, challenge and discuss reports, at least quarterly, on the effectiveness of and compliance with the risk appetite statement (RAS), including comparison of Corporation and business risk profile against RAS measures.
- 6.3 Periodically review and evaluate the Corporation's potential exposures in relation to its stated risk appetite under extreme but plausible stressed conditions.
- 6.4 Provide oversight to the management of breaches identified and escalated by management.



- 6.5 Ensure that the Corporation's risk appetite is part of management and Board decision-making processes.
- 6.6 Provide input to the approval of material changes to the Corporation's strategy and corresponding risk appetite.
- 6.7 Review and discuss with senior management any interactions and correspondence with regulators, and management actions taken in response to such interactions and correspondence in conjunction with the Audit Committee.
- 6.8 Review periodically with senior management the skills and competence of management appointed to administer enterprise risk management policies.

## **7.0 Credit Risk 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.

- 7.1 Review, challenge and approve periodically overall credit risk management strategies and policies. Ensure that a credit risk policy is in place and is reviewed as required.
- 7.2 Recommend to the Board a credit risk policy for the Corporation that specifies credit underwriting standards.
- 7.3 Recommend to the Board changes to the Corporation's credit risk policy that the Committee considers necessary in order to meet changes in the credit climate.
- 7.4 Review, challenge and discuss with management loan loss provision methodologies and estimates as required.
- 7.5 Review, challenge and discuss with management expected and stressed annual credit loss projections on a quarterly basis.
- 7.6 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.
- 7.7 Review, challenge and recommend action on significant credit risk exposures, performance against limits, trends, practices, and allowances for credit losses that have enterprise-wide implications.
- 7.8 Make recommendations regarding the appropriateness of credit risk management processes, methodologies, reporting and adoption of industry "good practice".

## **8.0 Market\* Risk Accountabilities and Responsibilities**

(\* includes investments and interest rate risk)

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.

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



- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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.
- 8.7 Review, challenge and approve periodically overall structural interest rate risk management strategies and policies. Ensure that a structural interest rate risk policy is in place and is reviewed as required.
- 8.8 Review, challenge and discuss with senior management, at least quarterly, reports demonstrating compliance with structural interest rate risk policies.
- 8.9 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.
- 8.10 Review valuation of over-the-counter derivatives, as required.

## **9.0 Liquidity and Funding Risk Accountabilities and Responsibilities**

- 9.1 Review, challenge and approve periodically overall liquidity and funding risk management strategies and policies. Ensure that a liquidity and funding risk policy is in place and is reviewed as required.
- 9.2 Review, challenge and discuss with senior management, at least quarterly, reports demonstrating compliance with liquidity and funding risk policies.
- 9.3 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.
- 9.4 Review, challenge and recommend to the Board management's annual funding plan and contingency funding plan.



## **10.0 Operational Risk 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.

- 10.1 Review, challenge and approve periodically overall operational risk management strategies and policies. Ensure that an operational risk policy and framework is in place and is reviewed as required.
- 10.2 Review, challenge and discuss with senior management, at least quarterly, reports demonstrating compliance with operational risk policies.
- 10.3 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.
- 10.4 Review, challenge and discuss with senior management reports on the Corporation's information technology and information security risk exposures.

## **11.0 Capital Management 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.

- 11.1 Review, challenge and approve periodically overall capital management strategies, and policies that govern capital management within the Corporation. Ensure that the Capital Management Policy and capital plan are in place and review such policies and plans as required.
- 11.2 Review, challenge and recommend for Board approval the Corporation's Internal Capital Adequacy Assessment Process (ICAAP).
- 11.3 Review, challenge and discuss with senior management, at least quarterly, reports demonstrating compliance with capital management policies.

## **12.0 Reputational Risk Accountabilities and Responsibilities**

The Committee, in conjunction with the Audit 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.

- 12.1 Review, challenge and approve periodically overall reputational risk management strategies and policies. Ensure that a reputational risk management policy and framework is in place and is reviewed as required.
- 12.2 Review, challenge and discuss with senior management at least quarterly, reports on the Corporation's reputational risk profile, significant reputational risk exposures, and the steps that management is taking to monitor and control such exposures.



## **13.0 ERM Function 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.

- 13.1 Obtain reasonable assurance that the Chief Risk Officer and ERM function are independent of the business function it oversees; ensure the adequacy and independence of the ERM function through approval of material changes to the ERM organizational structure.
- 13.2 Discuss and recommend to the Board for approval the appointment or dismissal of the Chief Risk Officer.
- 13.3 Review and approve on an annual basis the mandate of the ERM function. After review, if advisable, the Committee shall approve and recommend to the Board the approval of the ERM mandate.
- 13.4 Review at least annually the organizational structure, resources (amount & type) and budget of the ERM function to ensure it has adequate authority, independence and resources.
- 13.5 Annually assess the effectiveness of the Chief Risk Officer and ERM function and share the assessment with the Chief Executive Officer as input into the compensation approval process.
- 13.6 Oversee periodic independent reviews of the effectiveness and independence of the ERM function.
- 13.7 Review, challenge and discuss reports from the Chief Risk Officer on at least a quarterly basis, including regular opportunities to meet with the Chief Risk Officer without Corporation management or auditors present.

## **14.0 Delegations of Authority**

- 14.1 The Committee shall recommend to the Board the duties and powers to be delegated to any subcommittee and/or to any employee of the Corporation.
- 14.2 The Committee will meet and review and challenge any proposed event/transaction that would deviate from the Corporation's stated risk appetite and either approve or reject any such proposed event/transaction within the scope of authority granted the Committee by the full Board, provided 24 hours' notice is provided to the Committee.

## **15.0 Independent Advisors**

The Committee shall have the authority to select, retain, terminate and approve the fees of any independent advisors as the Committee may deem necessary or advisable for its purposes. The expenses related to such engagement shall be funded by the Corporation.

This Charter was approved by the Board of Directors on October 26, 2007 and last reviewed by the Board of Directors on February 14, 2018.



