

Purpose Acknowledging Vancity as a regulated financial institution and a member-owned cooperative pursuing a values based sustainable banking model, the role of the Risk Committee (“RC”)¹ is to promote and support a comprehensive enterprise risk management framework that enforces a strong link between impact, strategy, and risk. This link will ensure that Vancity will have a deep understanding of risk in order to allow us to accelerate impact and enhance member value within our Risk Appetite Framework while meeting regulatory requirements.

The RC is to provide effective oversight and advice to the Board in relation to current and potential future risk exposure and future risk strategy, including determination of risk appetite and tolerance. The RC promotes a risk awareness culture at the Board level and within the credit union, such that risk is addressed proactively rather than reactively, and ensures risk controls are effective*². Accordingly, the RC ensures Management has established, and follows, an enterprise risk management framework which will include the establishment of risk tolerance for principal risks that may change from time to time. For each principal risk the RC will ensure management has implemented risk related policies and the Committee will monitor compliance with those policies.

Objectives The objectives of the Committee are to:

- Provide oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite and tolerance;
- Promote a risk awareness culture within all levels of the credit union;
- Identify any matters within its mandate where it considers that action or improvement is needed, make recommendations as to the steps to be taken, and receive reporting in response;
- assist the Board in fulfilling its oversight responsibilities with respect to management of the principal risks;
- ensure prudent policies set the tolerance for specific categories of risk;
- ensure that Management actions are within the policies; and
- deal with exceptions that may occur.

¹The RC fulfills the role of the Investment and Loan Committee pursuant to section 135 of the FIA

² Items marked with an asterisk (*) refer to the BCFSAs Governance Guideline

Membership and Quorum

Members of the Committee are appointed by the Board. The Board may fill a vacancy that occurs in the Committee at any time. The committee will be comprised of at least 4 directors plus Vancity's Chief Risk Officer as an *ex officio* member. A quorum for meetings will be a majority of members. (FIAs. 135)

In the event of a tie vote, the Committee Chair will cast the deciding vote. Either the Board Chair or Board Vice Chair will be a member of this Committee. If feasible, the Chair of the Audit Committee will also be a member of this Committee.

The committee is committed to continuing education for its members, particularly in the areas of technology, lending, and treasury, in the context of a complex financial institution, and is able to avail itself of expert advice as desired.

Chair and Vice Chair

The Chair of the Committee will be ratified by the Committee, after it has taken into account a recommendation from the Board. The Vice Chair of the Committee will be elected by the Committee at the first constituted meeting of the Committee following the Annual General Meeting.

Authority

The Committee fulfils its role on behalf of the Board by making recommendations to the Board on:

- future risk strategy;
- steps to be taken to promote and maintain a strong risk awareness culture at all levels of the credit union; and
- the establishment and modification of policies deemed to comprise the "Investment and Lending Policy" as defined under the *Financial Institutions Act*.

The Committee has the authority to:

- establish and modify policies related to the principal risks (other than any policy deemed to be part of the Investment and Lending Policy);
- review and approve specific credit transactions that exceed the credit authority delegated to Management, but which are within the limits delegated to the RC by the Board;
- review, and make recommendations to the Board on, specific credit transactions that exceed both the credit authority delegated to Management and the limits delegated to the RC by the Board.
- request and receive copies of all internal and external audit reports relating to the principal risks, and request the attendance of either the Internal Auditor and/or external auditors at Committee meetings;
- request the attendance of any executive and/or staff member with relevant information pertaining to the subject matter being dealt with by the Committee; and
- approve, for recommendation to the Board, transactions for derivatives, investments and borrowings by the credit union that exceed Management's authority.

Responsibilities

The following responsibilities are recurring activities performed by the Committee, with the understanding that the Committee may carry out additional functions as may be appropriate in response to:

- changing business, legislative, or regulatory conditions; and

- other responsibilities or duties delegated to the Committee by the Board.

List of Committee Responsibilities	
Chief Risk Officer	<ul style="list-style-type: none"> • The Committee ensures the Chief Risk Officer a direct reporting line to the RC⁴ • Jointly with the CEO, appoints and dismisses the Chief Risk Officer • Provide written input to the CEO with regards to the annual performance review of the Chief Risk Officer
Risk Strategy and Policy	<ul style="list-style-type: none"> • Consider the risk profile relative to current and future strategy and risk appetite, and identify risk trends, concentrations or exposures and requirements for changes to policy. • Review the design and implementation of risk management and measurement strategies across the credit union and the procedures for monitoring the adequacy and effectiveness of those processes. • Oversee specific Board policies pertaining to the principal risks that may change from time to time, and ensures they are reviewed regularly. • Meets the requirements of sections 136 of the <i>Financial Institutions Act</i>, and section 7 of the Investment and Lending Regulations for Investment and Loan Committees. Ensure the credit union and its subsidiaries are fulfilling their fiduciary obligations for trust and estates for which they are trustees.
Risk Profile	<ul style="list-style-type: none"> • Monitor and review, on an enterprise-wide basis*, the performance of the organization relative to risk appetite, including receiving and reviewing reports from the Audit Committee in relation to financial, treasury, and liquidity risk that relate to any significant issues that require, or are subject to remedial action or recommendation arising in the period under review, including those relating to adherence to internal risk policy, standards and agreed risk limits. • Monitor, review, and understand the risk profile of the organization, through the ongoing process of identification, evaluation and management of all material risks, in particular longer term macro and strategic threats. • At least annually, review the key risks, current and prospective, to the credit union and ensure the process to identify and manage risk are appropriate and effective*. • Report to the Board on the performance of the organization relative to risk appetite and the risk profile of the credit union, including the degree to which risk management is considered in decision making*. • Ensure the credit union has a disaster management and recovery plan which is reviewed regularly*.

	<ul style="list-style-type: none"> • Ensure the credit union has a Data Security Incident Response Plan which is reviewed regularly⁷. • Ensure the Committee has proper oversight of climate risk
Risk Appetite, Framework and Limits	<ul style="list-style-type: none"> • Consider and recommend for Board approval the Risk Appetite Framework and tolerance for current and future strategy, taking into account capital adequacy, liquidity², and the external risk environment • Recommend to the Board on an annual basis, the risk appetite for the principal risks, and related authorities, tolerance and/or limits, and mandates. • Annually, review the Internal Capital Adequacy Assessment Process prior to recommending it for Board approval • Ensure rigorous stress and scenario testing of the credit union's business to ensure a sufficient level of capital and appropriate risk mitigations and/or controls are in place. • Review the due diligence of any proposed strategic transaction (involving a merger, acquisition or disposal) prior to Board approval of the transaction.
Risk Management Operating Model	<ul style="list-style-type: none"> • Consider the adequacy and effectiveness of resources within the credit union focused on risk management. • Review the scope and nature of the work undertaken by the Risk Division, noting any significant issues in the period under review and work planned for the next period in connection with the principal risks.
Risk Architecture	<ul style="list-style-type: none"> • Consider the adequacy and effectiveness of the technology infrastructure supporting the risk management framework. • Ensure suitability of data captured, to facilitate appropriate modeling, data analysis, and timely and effective management information for risk monitoring and decision making purposes.
Technology	Oversee and approve management's plan for the technology infrastructure that supports the achievement of strategic goals, including protection and security of member information.
Operational Risk	<ul style="list-style-type: none"> • Review annually the processes established to disclose and/or restrict the use of confidential member information and satisfy itself that those processes are being adhered to, including outsourced relationships and/or activities. • Receive reporting from management respecting Vancity's level of Operational Risk, including compliance with various rules, regulations, and legislation. • Monitor the adequacy of corporate security and fraud management. • Review any breaches or concerns involving employees which could pose risk to Vancity, as advised by the Chair of the Human Resource Committee • Ensure that an effective anti-money laundering program is in place and regularly monitor its effectiveness

<p>Approvals</p>	<ul style="list-style-type: none"> • Following approval by the Chief Risk Officer, Chief Member Services Officer and the Chief Executive Officer, review transactions in excess of Management’s authorities and, as appropriate considering the committee’s delegated authorities, either approve or recommend for approval to the Board. • Review and approve quarterly, loans designated as Watch List or Non-Impaired/Impaired, material changes to the terms & conditions of such loans, loan write offs (post approval); • Upon the recommendation of the Chief Risk Officer, approve material revisions and/or changes to Vancity’s Loan Loss Allowance (LLA). • Review and approve annually, the process for determining the LLA (including specific and general elements of the allowance). • Review and approve, or recommend for approval, any significant encumbrance of the credit union’s assets for any borrowings in accordance with the Investment Policy and Liquidity Policy
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Meetings

The Committee shall meet as required, but not less frequently than quarterly. Meetings are open to other Directors who are non-voting. The Committee shall determine its own procedures for the conduct of the meetings.

In addition to the quarterly meetings, the Committee will meet periodically to deal with specific credit requests in excess of Management authorities. These particular meetings will generally be conducted by teleconference.

Reporting

Minutes of all meetings will be made available to the Board. The Chair will provide a report to the Board on matters not yet minuted. Supporting schedules and information reviewed by the RC will be available for examination by any Director through the board portal.

Resources

The Committee is supported by:

- management including the CEO, Senior Vice President of Enterprise Risk and Chief Risk Officer, Vice President General Counsel and Corporate Secretary, and Governance Department
- external advisers as required
- external and internal auditors