
Enterprise Risk Management Committee Mandate

Purpose

To establish the authority, role and accountability of the Enterprise Risk Management Committee (the “ERMC”) of Street Capital Bank of Canada (the “Bank”).

The ERMC has the overall responsibility for performing the duties set out in this mandate to assist the Board of Directors (the “Board”) of the Bank in fulfilling its oversight responsibilities in relation to:

1. the Bank’s processes for:
 - management of credit risk
 - asset and liability management including management of market, and liquidity and funding risks
 - management of operational risk
 - identifying current and emerging risks
 - risk measurement and assessment
 - developing and assessing the enterprise-wide risk framework
 - implementation of the risk appetite framework
 - managing capital
2. assessment of the Bank’s risk tolerance limits and its risk capacity
3. the Bank’s processes to manage and mitigate the risks of its business activities within those tolerance limits and the Bank’s risk appetite framework
4. the Bank’s Residential Mortgage Policy, Market Risk Policy; Liquidity and Funding Risk Policy and Operational Risk Policy
5. the effectiveness and adherence to internal risk management policies and procedures
6. promotion of the achievement of the Bank’s strategic and business objectives, while facilitating strong risk governance and alignment with regulatory expectations
7. enabling the outcomes of risk-taking activities across the enterprise to be consistent with the Bank’s objectives and risk appetite and to appropriately balance risk and reward

Membership and Organization

Composition

The composition and organization of the ERMC, including the number, qualifications and remuneration of committee members, the number of meetings, Canadian residency requirements, quorum requirements, meeting procedures and notices of meetings as are established by applicable legislation and the by-laws of the Bank.

All committee members, including the Chair, will be independent of Senior Management. The membership of the ERMC will include at least three directors appointed by the Board. The Board may at any time remove or replace any member of the ERMC at its discretion. A member of the ERMC ceases to be a member upon his/her resignation or removal from the ERMC or upon ceasing to be a director of the Bank.

The Board will appoint a member of the ERMC as its chair. The ERMC will appoint one of its members as Secretary.

An adequate number of ERMC members will have sufficient knowledge in the risk management of financial institutions and have a sound understanding of the types of risk to which the Bank may be exposed and of the techniques and systems used to identify, measure, monitor, report on and mitigate those risks. Where appropriate, the ERMC will include individuals with technical knowledge in risk disciplines that are significant to the Bank.

Independence

“Independence” is a core principle of the Bank’s governance policies and procedures. In the context of its governance policies and procedures, with a small Board and management structure, the Bank understands “demonstrable independence” as a quality that is demonstrated through practices and behaviours, and not necessarily defined by employment relationships or affiliations. Where independence requirements are defined by statute, such as in respect of Board composition, the statutory requirement is observed.

Responsibilities and Duties

Risk Management Principles

1. approve and oversee the Bank’s enterprise-wide risk management framework (the “Framework”) for identifying, assessing and reporting enterprise-wide risks, including market risk, credit risk, liquidity and funding risk, operational risk, strategic risk and reputation risk, within the scope of this mandate, recommending actions to management and the Board as appropriate to strengthen those programs
2. promote a strong and effective risk management culture throughout the Bank in accordance with the enterprise risk management corporate policy
3. monitor the Bank’s risk profile in relationship to the Bank’s risk appetite, aggregate risk guidelines, strategic objectives and financial performance
4. seek assurances from the Chief Risk Officer that the oversight of risk management activities of the Bank are independent from operational management, are adequately resourced and have appropriate status and visibility throughout the Bank
5. review aggregate risk concentrations and other escalations, and approve corrective actions recommended by the Chief Risk Officer
6. review and advise the Board on the risk impact of strategic business decisions the Bank may be contemplating including considering whether such strategic decision is consistent with the risk appetite of the Bank
7. at least annually, review and approve risk management policies and the ERMC mandate with amendments as needed
8. align compensation practices to ensure that the credit risk management process is not compromised by individual financial goals

Adherence to Risk Management Policies and Procedures

1. oversee implementation of and adherence to the Bank’s Credit Risk Policy, Stress Testing, Business Continuity, Residential Mortgage Underwriting Policy, Enterprise Risk Management Policy, Liquidity and Funding Risk Policy, Capital Management Policy and other corporate policies, processes and risk guidance addressing the Bank’s risk management principles

2. review credit underwriting and credit approval criteria (and credit approval authority limits), monitor the Bank's credit underwriting processes and ensure that the credit terms reflect risk-based pricing that provides adequate coverage of capital costs and expected levels of credit losses
3. ensure that the Bank's credit administration processes are designed and operated to detect and address problem credits as early as possible
4. oversee the credit risk provisioning program by reviewing and monitoring the reports generated and actions taken and/or recommended by the CRO
5. review the Bank's credit risk profile including obtaining an understanding of the Bank's expected credit losses as determined by the Credit Provisioning policy and periodically assess the results of stress tests presented by the CRO reflecting the impact of unexpected loss scenarios
6. meet with the Chief Risk Officer and review the Chief Risk Officer's reports on positions and trends with respect to key risks, including the comparison of actual positions to exposure limits and exceptions outlined in the policies
7. oversee the Bank's risk profile in relation to the risk appetite and aggregate risk guidelines established by the Enterprise Risk Management Policy and in the context of the accountabilities of Senior Management
8. recommend appropriate action to ensure business activities are aligned with the Bank's risk tolerance and risk appetite framework
9. escalate risk concentration and risk management issues to the Chief Executive Officer and the Board as needed
10. monitor the Bank's liquidity and funding risk, review and consider reports regarding stress testing (in accordance with the Bank's stress testing policy)
11. review and approve changes to the Bank's Contingency Funding Plan and annual Funding Plan
12. monitor the Bank's capital position, review and consider reports regarding stress testing and report to the Board at least quarterly
13. annually, review and approve specifications for stress tests
14. review capital limits and targets
15. review the ICAAP and capital plan
16. review and monitor the reports generated and actions taken and/or recommended by the SVP Treasury
17. review and monitor the processes, policies, practices and reports generated as well as actions taken and/or recommended by the COO
18. review and approve the enterprise IT strategy
19. review the overall securities management program at least annually

Compliance with Regulatory Requirements

1. review outcome of significant business continuity events and resulting action plans for mitigating recurrence, and recommend to the Board the Bank's business continuity management program per the review cycle
2. consider and review the Bank's insurance program and approve certain limits of insurance established to meet the requirements of the Protection of Assets (Banks) Regulations to the *Bank Act*
3. review the Bank's litigation, legal and regulatory risks at least annually

New Business Approval Process

Approve significant strategic initiatives including, without limitation, significant new lines of business or product launches, significant portfolio transactions (acquisitions and dispositions), and mergers and acquisitions.

Outsourcing

The ERMCM will oversee the Bank's outsourcing to, and purchase of services from, third parties on behalf of the Board. In this regard, the ERMCM will:

1. review and periodically assess the Bank's Outsourcing Policy and procedures established by management with respect to outsourcing contracts
2. review, on a regular and ongoing basis, the practices of the Bank and its management team respecting outsourcing, so that any outsourcing contract that may have a material effect on the stability and solvency of the Bank is identified; and that the contract is effective and meeting its intended objectives
3. approve outsourcings per the Vendor Management and Strategic Sourcing Policy
4. review reported occurrences of non-compliance along with remedial actions plans

Board Independence

The ERMCM will conduct an annual evaluation of the independence status of the directors and report results to the Board; addressing statutory requirements, the Bank's independence requirements, its conflict of interest policy, its corporate governance policy and changes in any director's circumstances.

Meetings

The ERMCM will hold such meetings as are required to carry out this mandate, and in any case, it will meet no less than four times a year.

Reports

The ERMCM will report the proceedings of each meeting and all recommendations made at such meeting at the next meeting of the Board. In urgent matters, where time is of the essence, the ERMCM's report should be communicated to the Board by the close of the following business day.

The ERMCM will keep all other committees of the Board apprised of all matters relevant to the mandate of each such committee of the Board.

Annual Review and Assessment

The ERMCM will conduct an annual review and self-assessment of the performance of the ERMCM and each of its members and the adequacy of this mandate and will make recommendations to the Board after consulting with Senior Management, and internal and external auditors, if appropriate, on changes necessary to improve its overall effectiveness.

The following activities should take place as part of the annual assessment process:

- question the Board about its satisfaction with the ERMCM's performance
- perform a benchmark comparison of the ERMCM's activities to leading practices
- compare the ERMCM's activities to the mandate and any other objectives set by the Board
- assess the ERMCM's work against its objectives and plans and present its findings to the Board

Mandate Review

This mandate will be reviewed and approved by the Board at least annually.