

**Intact Financial Corporation**  
**And its P&C Insurance Companies except Intact Farm Insurance Inc.**  
**(jointly called the “Company”)**

**Mandate of the Risk Management Committee**

**I. Purpose**

The Risk Management Committee (the “Committee”) is a committee of the Board of Directors of the Company whose primary function is to assist the Board with its oversight role with respect to the management of the Company in order to build a sustainable competitive advantage, by fully integrating the Enterprise Risk Management Strategy into all business activities and strategic planning of the Company and its subsidiaries and operations, including its pension funds.

The Committee is responsible for defining the Company’s risk appetite while also monitoring the risk profile and performance of the Company relative to its risk appetite. In this regard, the Committee also oversees the identification and assessment of the principal risks facing the Company and the development of strategies to manage those risks. The principal risks include strategic risk, insurance risk, financial risk and operational risk.

The Committee monitors compliance with Risk Management policies implemented by the Company while ensuring an appropriate balance of risk and return in pursuit of the company’s strategic business objectives.

**II. Membership**

**1. Number**

The Board will appoint no fewer than three of its members to the Committee.

**2. Composition and Qualifications**

The Committee consists of Directors who are “independent” as that term is defined from time to time in relevant legislation, and who are non-executives of the Company or its subsidiaries. An adequate number of Committee members must have sufficient knowledge of the risk management of financial institutions as that term is defined in applicable legislation. In addition, the composition of the Committee, and qualifications of its members, will comply with such additional requirements as may be imposed by applicable legislation and Best Practices.

**3. Chair**

The Board will appoint the Chair of the Committee annually, to be selected from the members of the Committee. If, in any year, the Board does not make such an appointment, the incumbent Chair will continue in office until the Chair’s successor is appointed. In the event the Chair is not able or willing to act as Chair of the Committee

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for any reason, the Board may appoint another Chair on an interim or permanent basis. The Chair is bound to act in accordance with his or her mandate and this Mandate. The Chair of the Board may not serve as Chair of the Committee

### **4. Tenure**

Each member of the Committee will hold office at the will of the Board or until his or her successor is appointed.

### **5. Removal and Vacancies**

Any member of the Committee may be removed and replaced at any time by the Board and will also automatically cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies by appointing members from among the members of the Board. If and whenever a vacancy exists, the remaining members may exercise all the powers of the Committee as long as a quorum remains in office.

## **III. Process and Operations**

### **1. Meetings**

The Committee meets at least four times per year and otherwise as needed.

The Committee shall also meet periodically with the Audit Committee of the Company in furtherance of their respective mandates.

### **2. Private Meeting of the Committee and Private Meetings With Members of Management**

Following each regular meeting, the Committee meets privately without the presence of Management. The Committee may meet in private at its discretion following each non-regular meeting.

Following each regular meeting, the Committee meets in private without the presence of Management with the Chief Risk Officer (“CRO”) and any other members of Management required in respect of this Mandate. The Committee may meet members of Management in private after each non-regular meeting. The Committee may also meet with any other employees of the Company or otherwise request access to Company records.

As well, the CRO may call a meeting of the Committee at any time.

### **3. Quorum**

A quorum at any meeting shall be a simple majority of the members of the Committee.

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### **4. Report to the Board**

Following each meeting, the Committee reports to the Board on matters reviewed by the Committee.

### **IV. Mandate**

#### **1. Responsibility for Overseeing Risk Management**

The Committee oversees the Company's Risk Management policies and procedures which identify principal risks, while monitoring the implementation of appropriate systems and processes to manage these risks and the Company's compliance to such policies and procedures.

In this regard, the Committee monitors, reviews and periodically (unless otherwise indicated) approves or recommends the following to the Board for approval:

- at least annually, reviews the Enterprise Risk Management Strategy, including the corresponding Risk Appetite framework, and the Internal Target Capital Ratios, and recommends them to the Board for approval;
- reviews the market and economy risks that can affect the Company;
- at least annually, reviews and recommend to the Board for approval, the Company's investment policies;
- at least annually reviews the risks and asset-liability management of the Company's employee pension funds and approves the Statement of Investment Policies and Procedures (SIP&P)
- reviews the capital policies of the Company and recommends them to the Board for approval;
- at least annually, reviews and approves significant risk management policies other than the Enterprise Risk Management Strategy;
- annually reviews Management's own risk and solvency assessment (ORSA) of the Company;
- reviews the quarterly risk reports including periodic stress testing;
- reviews the regulatory capital requirements from time to time and assess the impact and the trends relating thereto;
- reviews summaries of ratings produced by rating agencies and any other matter that the Committee deems appropriate to review;
- on an annual and on a continuing basis reviews and assesses the key risks of the business plans and new business initiatives of the Company;
- approves and reviews the reinsurance programs of the Company;
- reviews the Dynamic Capital Adequacy Test Report with the Appointed Actuary;
- reviews, approves or recommends to the Board for approval any other matter in relation to managing the risks of the Company.

The Committee undertakes its responsibilities with a constant view to effectively identifying, assessing and managing the Company's principal risks, the risk targets for such principal risks and monitor any exposure when such designated targets are exceeded, and takes the appropriate measures to adjust such targets, if judged appropriate, and to redress and correct

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such breaches. The Committee exercises its functions with a view to adopting robust risk management systems and processes while balancing the risks undertaken by the Company and any business opportunity identified by the Company.

### **2. Responsibility for Oversight of the Risk Management Function**

The Committee reviews and approves the organizational structures of the Company's risk management function.

In this regard, the Committee:

- reviews and recommends to the Board for approval the appointment, assessment or termination, (if applicable ) of the CRO;
- periodically reviews and approves the mandate of the Risk Management function and the CRO mandate and annually obtains assurances that this function has the necessary independence, budget and resources to meet its mandate and reports to the Board any issue in relation thereto; reviews the regular and special regulatory investigations or inspections conducted periodically in relation to risk management or containing comments in relation to significant risks, including Management's responses and recommendations with a view to ensure effectiveness and adequacy of the risks management functions;
- annually reviews the objectives of the CRO and risk management Executives;
- annually reviews the effectiveness of these functions and ensures that they are periodically independently reviewed and assessed;
- obtains assurances from the CRO that the oversight of the risk management activities of the Company are independent from operational management, are adequately resourced, and have appropriate status and visibility throughout the Company.

### **3. Responsibility for Overseeing Compliance with Risk Policies**

In this regard, the Committee:

- reviews at least annually compliance with the Enterprise Risk Management Strategy, the Risk Management policies, the Risk Appetite, the programs, plans and actions;
- reviews risk monitoring programs and receives quarterly reports on risk monitoring activities, including risk tolerance limits, stress testing and investment risk monitoring;
- reviews the manner in which material exceptions to policies are identified, monitored, measured and controlled; and
- reviews and agrees on remedial action and measures to be taken in case of breaches of such programs and policies.

### **V. Independent Consultants**

The Committee may retain or appoint, at the Company's expense, such other consultants, experts and advisors as it deems necessary or advisable to carry out its duties.

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In case of differences of opinion between the members of the Committee or with Management in relation to the hiring of such consultants, experts and advisors, the Board may decide on the issue or delegate the review of such issue to the Compliance Review and Corporate Governance Committee.

### **VI. Delegation**

The Committee may designate a sub-committee or individual(s) to review any matter the Committee can delegate by law.

### **VII. Self-Assessment**

On an annual basis, the Committee evaluates and reviews the assessment reports on the adequacy of the Committee, its Chair and each of its members.

### **VIII. Committee Mandate**

On an annual basis, the Committee reviews this mandate and recommends any changes, if any, to the Board.

**Approved by the Board of Directors of Intact Financial Corporation and its P&C Subsidiaries on November 1, 2016.**