



## RISK MANAGEMENT COMMITTEE CHARTER

### 1. Mandate

1.1 The mandate of the Risk Management Committee (the "**Committee**") is to assist the Board of Directors (the "**Board**") of Canada Mortgage and Housing Corporation ("**CMHC**" or the "**Corporation**") in fulfilling its oversight responsibilities with respect to the identification and management of the Corporation's principal risks, and legislative and regulatory compliance.

### 2. Composition and Appointment

#### 2.1 *Composition*

- (a) The Committee shall comprise at least three members of the Board. All Committee members shall be members of the Board. The Committee shall not include the President or any other officer or employee of the Corporation or other members of the federal public administration.
- (b) All members of the Committee shall be independent as determined by the Board.
- (c) All members of the Committee shall be "financially literate" as defined in *National Instrument 52-110 – Audit Committees* and have relevant financial industry experience at a senior level, or meet the requirements expected for a senior position in risk management, both as set out in the Corporation's Board skills profile, or be willing and able to acquire the necessary knowledge within a reasonable period of time. The majority of Committee members will possess sufficient risk management knowledge or be willing to acquire such knowledge soon after joining the Committee.
- (d) Committee membership will be reviewed annually by the Corporate Governance and Nominating Committee to ensure the Committee as a whole includes members with the experience and expertise required to fulfill the Committee's mandate.

#### 2.2 *Appointment*

- (a) The Board, upon recommendation of the Corporate Governance and Nominating Committee, will appoint Committee members and the Chair of the Committee.

## Meetings

### 2.3 *Timing*

- (a) The Committee shall hold at least four regularly-scheduled meetings per year.
- (b) The Chair of the Committee, the Chair of the Board, or two members of the Committee may convene additional meetings.

### 2.4 *Quorum*

- (a) Two members shall constitute a quorum of the Committee. In the case of a lack of a quorum (whether due to a conflict of interest or otherwise), the Chair of the Committee shall identify, subject to approval by the Chair of the Board, an alternate member of the Board to stand in the place of the absent Committee member for the purposes of that particular matter or meeting, and that alternate member shall be entitled to vote in respect of the matter or at the meeting in question.

### 2.5 *Notice and Attendance*

- (a) In the event that the Chair of the Audit Committee is not a member of this Committee, then he or she shall receive notice of each meeting of this Committee and may attend such meetings as a non-voting observer.
- (b) The Committee will invite the Executive Officers, as well as others to attend meetings and provide pertinent information, as necessary. The President will also attend the meetings, unless asked otherwise.
- (c) The Committee shall meet separately (as further set out below) with the Chief Risk Officer at each regularly-scheduled meeting, and other selected members of management as considered necessary by the Committee.

### 2.6 *Joint Meetings*

- (a) Annually, the Committee shall hold a joint meeting with the Audit Committee to review the annual risk-based audit plan and if appropriate, other risk-based plans of the Corporation.

### 2.7 *In Camera Meetings*

- (a) Quarterly, the Committee shall meet *in camera* with no members of management present (with the exception of the Corporate Secretary, as determined by the Chair of the Committee). Any member of the Committee may request that any meeting, or a part thereof, be held without management present.
- (b) The Committee may also meet from time to time, as appropriate, with the external auditor of the Corporation, the examiner as designated or appointed under section 142 of the *Financial Administration Act* (the “**Examiner**”), or the Superintendent of Financial Institutions acting pursuant to section 21.2(1) of the *National Housing Act* (the “**Superintendent**”).

## 2.8 *Chair of the Committee*

- (a) The Chair of the Committee shall preside over all Committee meetings.
- (b) In addition, the Chair of the Committee shall:
  - (i) Coordinate the Committee's compliance with this mandate as set forth in this Charter; and
  - (ii) Work with management to develop the Committee's meeting agendas and annual work plan.
- (c) The Chair of the Committee may vote on any matter requiring a vote and shall be entitled to cast a second vote in the case of a tie.
- (d) In the event of the absence or incapacity of the Chair of the Committee, the Board Chair will designate a different member of the Committee to act as Committee Chair on an interim basis.

## 2.9 *Secretary*

- (a) The Corporate Secretary or, in the absence of the Corporate Secretary, the Assistant Corporate Secretary of the Corporation shall act as the Secretary of the Committee.

## 3. **AUTHORITY**

3.1 The Committee has the authority to conduct or authorize a review of, or investigations into, any matters within the scope of its mandate. Without limiting the foregoing, it has the authority to:

- (a) Retain outside legal counsel, consultants or other advisors, on behalf of and at the cost of the Corporation, as the Committee deems necessary, to advise the Committee or to assist in the conduct of an investigation or fulfilling its responsibilities set out in this Charter;
- (b) Require any information relevant to its mandate from (i) any officer or employee of the Corporation and (ii) any party external to the Corporation which is answerable to the Corporation;
- (c) Obtain full, free, and unrestricted access to the officers of the Corporation, the internal and external auditors of the Corporation, the Examiner, the Superintendent acting pursuant to section 21.2(1) of the *National Housing Act*, and inside and outside counsel of the Corporation, as necessary and relevant to the Committee's mandate;
- (d) Obtain access to continuing education programs to assist the Committee in fulfilling its responsibilities, and the Corporation will provide appropriate funding for such programs; and

- (e) Request, where appropriate, the input of other Board committees on any aspect of the Committee's mandate.

#### **4. Duties and Responsibilities**

The Committee will carry out the following duties and responsibilities, as well as any other activities related to its mandate that are requested by the Board from time to time.

##### **4.1 *Risk Management Function***

- (a) Recommend an enterprise risk management ("**ERM**") framework to the Board, ensure that the ERM framework is supported by adequate resources and independent from operational management, and assess the effectiveness of the ERM framework.
- (b) Recommend a risk management policy to the Board.
- (c) Review the effectiveness of the risk management function.
- (d) Oversee the function of the Chief Risk Officer, review the mandate for the Chief Risk Officer and, in consultation with the Human Resources Committee, review and approve the appointment, dismissal and evaluation of the Chief Risk Officer.
- (e) Periodically review and evaluate risk reporting.
- (f) Annually approve the budget and resources of the risk management function.
- (g) At least once every three years, evaluate the Corporation's risk culture.
- (h) Hold regular *in camera* meetings with the Chief Risk Officer to discuss appropriate matters.
- (i) Review the results and recommendations of any inquiry and examinations by the Superintendent and follow up on outstanding issues as necessary.

##### **4.2 *Risk Appetite, Risk Identification and Monitoring***

- (a) Review and recommend for Board approval the Corporation's risk appetite statement and risk appetite parameters at least annually.
- (b) At least semi-annually, oversee a comprehensive review of the Corporation's actual risk profile and emerging risk issues.
- (c) Annually, review the Corporation's risk management policies.
- (d) Monitor the Corporation's risk management performance.
- (e) Establish processes and controls to assess the accuracy of any risk information or analysis.
- (f) Annually, review and recommend for Board approval, as required, the Corporation's capital targets as well as any stress testing for all of the

Corporation's activities under Part I and I.1 of the *National Housing Act*, and for all types of risk and exposures.

- (g) Review the regular attestations and reports of the President and of the CRO, including the President's annual ERM Letter of Representation.

#### 4.3 *Legislative and Regulatory Compliance*

- (a) Oversee the establishment of a legislative and regulatory compliance management framework.
- (b) Review annually the legislative and regulatory Compliance Policy and amendments to it.
- (c) Review reports on compliance with applicable laws and regulations and periodically assess the effectiveness of the legislative and regulatory compliance function.
- (d) Oversee the function of the Chief Compliance Officer, and review the mandate of the Chief Compliance Officer.
- (e) At least annually, review and approve the adequacy of the budget and resources for the compliance function.
- (f) Review reports on significant litigation and regulatory compliance matters.
- (g) As required, meet *in camera* with the Chief Compliance Officer to discuss appropriate matters.

#### 4.4 *General*

- (a) Attend to any other matters required by the Office of the Superintendent of Financial Institutions (OSFI) from time to time.
- (b) Approve a core plan of reports to be presented to the Committee on matters within its mandate.

### **5. Accountability**

#### 5.1 The Chair of the Committee will:

- (a) Regularly report to the Board on its activities and the issues it has considered, and with such recommendations as are deemed appropriate;
- (b) Review and assess the adequacy of these terms of reference as set out in this Charter at least annually and recommend any changes to the Governance and Nominating Committee and the Board for approval;
- (c) Conduct an annual evaluation of the Committee to assess its contribution and its effectiveness in fulfilling its mandate; and

- (d) Submit a Committee report annually to the Board on the Committee's activities during the year and produce a publicly available annual report on the Committee's activities.