

## **ENTERPRISE RISK MANAGEMENT AND COMPLIANCE COMMITTEE MANDATE**

### **Role**

The primary purpose of the Enterprise Risk Management and Compliance Committee (the “**Committee**”) is to assist the Board in its oversight role with respect to:

1. reviewing and recommending Board approval of the enterprise risk management framework, risk appetite framework, risk appetite statement and risk tolerance limits;
2. reviewing and recommending Board approval of the asset mix and funding strategy, including management of interest rate risks;
3. identifying MCAN’s key business risks;
4. reviewing and recommending MCAN’s risk policies;
5. ensuring the effectiveness of MCAN’s risk management practices;
6. the progress of any Risk Management initiatives;
7. reviewing and recommending Board approval of the Internal Capital Adequacy Assessment Process (“**ICAAP**”);
8. the effectiveness of MCAN’s Compliance function and MCAN’s compliance with legal and regulatory requirements; and
9. the effectiveness of MCAN’s Anti-Money Laundering & Anti-Terrorist Financing Program (“**AML/ATF Program**”).

### **Composition and Operations**

1. The Committee shall consist of at least three directors appointed by the Board.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. A majority of the members of the Committee will be independent in accordance with the requirements of laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed, applicable securities regulatory authorities and MCAN’s Director Independence Policy and will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada).
3. Each member of the Committee shall have knowledge in the risk management of regulated financial institutions and satisfy the applicable experience requirements of the laws governing MCAN, and the applicable stock exchange on which MCAN’s securities are listed and applicable securities regulatory authorities.
4. The Board shall appoint an independent member of the Committee as the Committee Chair.
5. The Committee shall meet at least quarterly and as many additional times as considered necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

## **Specific Duties**

### **Oversight of Risk Management**

1. Annually review and recommend to the Board the Enterprise Risk Management Framework which describes the nature of the risks, including emerging risks, to MCAN's business strategy and operations; how MCAN defines the types of risk it is exposed to; how MCAN manages its risks through processes that identify, measure, assess (including the related risk assessment criteria), control and monitor risk, as well as other related risk management frameworks, policies and procedures recommended by MCAN's management.
2. Review management's reports, at least quarterly, demonstrating the effectiveness of and compliance with the risk management policies and procedures (including underwriting, investing and funding policies), and the risk profile of all significant subsidiaries, joint ventures and partnerships.
3. Annually review and recommend to the Board the risk appetite framework, risk appetite statement and risk-based capital requirements.
4. Review the inherent and residual risks of potential changes to MCAN's strategy and material transactions that are being proposed by MCAN.
5. Review, on a quarterly basis or more frequently as required, management status reports on the effectiveness of any risk mitigation plans that have been implemented in response to identified non-compliance issues with prescribed risk control policies or risk tolerance limits.
6. Review and monitor any issues raised by internal audit or any regulatory agency regarding the effectiveness of the risk management control environment, including management's responses and recommendations.
7. Review at least annually and recommend to the Board MCAN's ICAAP.
8. Review at least annually and recommend to the Board the Capital Management Policy and at least quarterly review compliance therewith.
9. Annually review and recommend to the Board the Operational Risk Management Framework and Policy.
10. Periodically, but not less often than annually, review and recommend to the Board the Business Continuity Management Policy.
11. Periodically, but not less often than annually, review and recommend to the Board approval of MCAN's Residential Mortgage Underwriting Policy ("**RMUP**"), Construction Loan Underwriting Policy ("**CLUP**"), Commercial Term Mortgage Underwriting Policy ("**CTMUP**") and Investment Policy.

12. Recommend to the Board changes to the RMUP, CLUP, CTMUP and Investment Policy as the Committee, from time to time, considers necessary to meet changes in the investment climate.
13. Review quarterly compliance with MCAN's RMUP, CLUP, CTMUP and Investment Policy.
14. Periodically, but not less often than annually, review and recommend to the Board the Liquidity Risk Management Framework and ensure quarterly testing.
15. Periodically, but not less often than annually, review and recommend to the Board the New Products and Initiatives Policy.
16. Periodically, but not less often than annually, review and recommend to the Board the Outsourcing Policy, including a list of all material outsourcing arrangements and review any additional reports, when appropriate.
17. At least annually review and recommend to the Board the Fraud Risk Management Policy and satisfy itself that the processes are being implemented to deter and detect incidents of fraud and suspected misrepresentation.
18. Ensure that management reviews and assesses, on a regular basis, MCAP's adherence to MCAN policies and procedures in respect of all material functions that are outsourced to MCAP.
19. At least quarterly review and assess the investment and related risks of any securitization programs MCAN may participate in.
20. At least annually review and approve MCAN's risk rating guidelines. Review and monitor quarterly adherence to these guidelines and the risk profile of the investment portfolio.
21. Review quarterly MCAN's exposure to changes in interest rates, interest rate spreads and gaps, funding strategy and sources, and liquidity position and outlook.
22. Review quarterly the arrears and non-performing loans.
23. Review quarterly the marketable securities and money market investments against investment policies and limits.
24. Review at least annually the adequacy of MCAN's insurance, in particular its employee bonding, errors and omissions and directors and officers coverage.

**Oversight of the Chief Risk Officer**

25. At least quarterly, obtain and review a report from the Chief Risk Officer regarding MCAN's enterprise risk management position; effectiveness of risk management practices and control; key current and emerging risks facing business activities; risk mitigation plan and strategy; compliance with the risk appetite framework and underwriting policies and procedures.

26. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Risk Officer.
27. At least annually review the budget, structure and resources of the Chief Risk Officer.
28. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Risk Officer and assess the effectiveness of the Chief Risk Officer.
29. Review the results of periodic independent reviews of the Risk function.
30. At least quarterly, meet separately with the Chief Risk Officer to assess the adequacy and effectiveness of MCAN's Risk function and report to the Board thereon.

**Oversight of the Compliance Function**

31. Review at least annually and recommend to the Board MCAN's Regulatory Compliance Management Framework and oversee processes established by management to deal with MCAN's compliance with legislation and satisfy itself that the policies and processes are being adhered to.
32. Review at least quarterly the Chief Compliance Officer's report on MCAN's compliance with legal and regulatory requirements and management's plans to remediate any deficiencies identified.
33. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Compliance Officer.
34. At least annually, review the budget, structure and resources of the Compliance function.
35. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Compliance Officer and assess the effectiveness of the Chief Compliance Officer.
36. Review the results of periodic independent reviews of the Compliance function.
37. At least quarterly, meet separately with the Chief Compliance Officer and report to the Board thereon.

**Oversight of the Anti-Money Laundering and Anti-Terrorist Financing Program ("AML/ATF Program")**

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38. Review at least annually and recommend to the Board MCAN's Anti-Money Laundering and Anti-Terrorist Financing Policy ("AML Policy").
  39. Review at least quarterly the Chief Anti-Money Laundering Officer's report on the AML/ATF Program, which will include a report on the overall effectiveness of the AML/ATF Program and MCAN's compliance with the AML Policy.

40. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Anti-Money Laundering Officer.
41. At least annually, review the budget, structure and resources of the AML/ATF function.
42. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Anti-Money Laundering Officer and assess the effectiveness of the Chief Anti-Money Laundering Officer.
43. Review the results of periodic independent reviews of the AML/ATF Program.
44. Periodically, but not less often than annually, review and recommend to the Board the Responsible Persons Assessment Policy required pursuant to OSFI Guideline E-17, and satisfy itself that the processes are being implemented.

**Other**

45. Review correspondence with regulators and governmental agencies and including, without limitation, OSFI, CDIC, FINTRAC, FCAC, CMHC and any provincial notices of violation.
46. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
47. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: November 2018