



Mandate of the Risk Committee

CANADIAN WESTERN BANK

Approved May 28, 2019





1.0 Purpose of the Committee

The purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities related to the oversight of risk management at CWB Financial Group ensuring the:

- 1.1 establishment and management of the Risk Management Framework (codified in the Risk Management Framework Policy), the Risk Appetite Statements (codified in the Risk Appetite Framework Policy), and specific risk metrics;
- 1.2 development of risk management policies, standards and procedures aligned with the risk appetite established by the Board;
- 1.3 development of risk management strategies; and
- 1.4 monitoring and reporting of emerging risks.

2.0 Organization of the Committee

The Board will annually (and from time to time) appoint at least four independent directors to be the Committee. The Board shall appoint one Committee member to act as the Chair of the Committee.

3.0 Meetings of the Committee

For the Committee to transact business, three members of the Committee must be present and a majority of those present directors must be resident Canadians. The Committee shall meet each quarter and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate. Any member of the Committee may call a meeting. At each meeting the Committee shall meet with the Chief Risk Officer without management present. The Chair, or in his or her absence another member of the Committee, will preside at each meeting of the Committee.

4.0 Reporting to the Board

The Committee shall report after each meeting to the Board about its activities and make recommendations as it deems desirable in the circumstances.

5.0 Outside Advisors

The Committee has the authority to retain and fix the remuneration of, at the Bank's expense, independent advisors and consultants to advise the Committee as it determines necessary to carry out its duties. The Committee may request any officer or employee of the Bank to attend a meeting of the Committee or to meet with any advisors of, or consultants to, the Committee.



6.0 Duties and Responsibilities of the Committee

The Committee has the following specific duties and responsibilities:

- 6.1 Risk Framework
 - 6.1.1 review and recommend to the Board, at least annually, the approval of the Risk Management Framework Policy for CWB Financial Group, and the Risk Appetite Framework Policy which include risk appetite metrics and corresponding risk limits;
 - 6.1.2 review and approve, at least annually, the risk policies for Capital Risk, Credit Risk, Market Risk (IRRBB, Investment Risk, and Liquidity Risk), and Operational Risk;
 - 6.1.3 review risk monitoring programs and receive regular reports on risk monitoring activities against quantitative and qualitative factors, including compliance with risk policies, risk strategies, risk metrics and risk appetite for all material risk types including, but not limited to Capital, Credit, Market, Reputational, Operational and its subcategories such as Legal and Regulatory Compliance Risk, Technology and Cyber Risk, Fraud Risk, Data Risk;
 - 6.1.4 provide input and review the results of material management stress testing exercises and discuss with management any identified material risks and emerging and emerged risks and trends;
 - 6.1.5 review and discuss reports on optimal risk strategies as well as the potential impact of risk issues on the execution of business and strategic plans;
 - 6.1.6 review and discuss reports on the key risk issues from external stakeholders including regulators and rating agencies;
 - 6.1.7 review the risk-based expected credit loss estimation for IFRS-9;
 - 6.1.8 recommend to the Board the approval of the internal capital adequacy assessment process (ICAAP);
 - 6.1.9 at least annually, recommend to the Board the approval of the target internal capital ratios and the capital plan in terms of both Economic Capital and Regulatory Capital;
 - 6.1.10 review and recommend to the Board the approval of the payment of dividends; and
 - 6.1.11 review and recommend to the Board the approval of capital issuances and redemptions.
- 6.2 Oversight of Enterprise Risk Management Function
 - 6.2.1 recommend to the Board, jointly with the Human Resources Committee, the appointment or removal of the Chief Risk Officer of CWB Financial Group;
 - 6.2.2 in conjunction with the Human Resources Committee, annually review and approve the position description of the Chief Risk Officer and his/her annual objectives;
 - 6.2.3 annually assess the effectiveness of the Chief Risk Officer and convey its appraisal of the Chief Risk Officer's performance against stated mandate/position description and objectives to the Human Resources Committee and the Chief Executive Officer, concur with the compensation approval process;



- 6.2.4 annually review and approve the mandate of the Chief Risk Officer and the Enterprise Risk Management function and the annual Enterprise Risk Management plan;
 - 6.2.5 periodically assess the independence and effectiveness of the Enterprise Risk Management function;
 - 6.2.6 annually review and approve the Enterprise Risk Management function's budget and resources; and
 - 6.2.7 exercise unrestricted access to the management and employees of CWB Financial Group.
- 6.3 General
- 6.3.1 receive reports from the Chief Internal Auditor on the results of Internal Audit's independent assessment of the adequacy and effectiveness of risk management across both first and second line, including alignment of and compliance with policies, appetites, standards and guidelines;
 - 6.3.2 review and approve the CWB Financial Group Recovery Plan;
 - 6.3.3 at least annually, review and recommend to the Board the approval of the insurance program and the limits of insurance;
 - 6.3.4 review the mandate of the Committee annually and recommend changes to the Board; and
 - 6.3.5 perform such other functions and tasks as may be mandated by regulatory requirements and the Board.

7.0 Delegation to Loan Adjudication Panel

The Board shall appoint a director to be the Chair of the Loan Adjudication Panel. Any three directors, as determined between the Panel Chair and the Senior Vice President, Credit Risk Management, may from time to time constitute a Loan Adjudication Panel, with the power to:

- 7.1 deal with credit applications which are in excess of the lending limit for the Group Credit Risk Committee but within the limits of a Loan Adjudication Panel;
- 7.2 deal with loans to a foreign country or which are guaranteed by a foreign country; and
- 7.3 make recommendations to the Board for credit applications in excess of the lending limits established by the Risk Committee for a Loan Adjudication Panel.