

## **MANDATE OF THE INVESTMENT AND RISK MANAGEMENT COMMITTEE**

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### **1. Establishment**

There is hereby established a committee of the Board of Directors called the Investment and Risk Management Committee.

(section 13.5)

### **2. Composition**

The Committee is composed of Board members designated by the Board of Directors. No employee or officer of la Caisse may be a member of the Committee.

(section 13.1 (10))

### **3. Guests**

Other Board members may take part in Committee meetings on a regular basis or on an occasional basis without being members of the Committee, or having voting rights.

The Chair of the Audit Committee is a guest member at each Committee meeting.

The Chair of the Board of Directors may take part in any meeting of the Committee.

(section 13.7)

Upon invitation by the Committee, any other person may attend, in whole or in part, a meeting, when the Committee considers it necessary or desirable.

### **4. Meetings**

Regular meetings are held on the dates, at the times and locations set by the Board of Directors. They are called by means of a notice that is sent to members by the secretary or the assistant secretary on behalf of the Committee Chair. Committee meetings may be held without notice if the members consent to the holding of such meetings. The presence of a member at a meeting indicates his consent.

An extraordinary meeting may be called at any time by the Committee Chair, the Chair of the Board, the President and Chief Executive Officer, one of the Committee members or the Executive Vice-President and Chief Risk Officer.

Committee members regularly meet before or after a meeting without management being present. Any Committee member may ask the Chair that a Committee meeting, or any part of it, be held without management being present.

### **5. Quorum**

Quorum at Committee meetings shall be constituted by a majority of the members.

In the absence of a quorum, the Chair of the Board may, if he is not a member of the Committee, and at the request of the Committee Chair, serve as a member for this meeting and have voting rights.

## 6. Chair

The Committee Chair, as designated by the Board of Directors from among independent members, chairs the Committee meetings. When the Committee Chair is unable to attend a meeting, the Chair of the Board or a member of the Committee may act as Chair for this meeting.

## 7. Secretary

The secretary or assistant secretary of la Caisse may serve as secretary.

## 8. Mandate

The Committee's mandate is to ensure that management policy, regulations and control systems are in place and recommend them to the Board of Directors for adoption. These policies, regulations and control systems shall be designed to maintain the business, financial and operational risks assumed by la Caisse in the course of its activities at appropriate levels and to implement adequate structures to monitor risk.

The responsibilities of the Investment and Risk Management Committee include:

### Policies and regulations

- a) examining and submitting to the Board for adoption and reviewing annually or at the discretion of the Committee:
  - i) the risk appetite framework, risk management guidelines and policies, consistent with the guidelines and risk appetite framework, regularly reviewing them and making recommendations to the Board on any changes that should be made;  
(section 13.1 (1))
  - ii) an investment policy for each specialized portfolio including, for each portfolio:
    1. return on investment targets
    2. benchmark indices
    3. risk tolerance limits
    4. qualifying securities
    5. currencies  
(section 36.2)
  - iii) a regulation on the use of derivatives  
(section 33.1)
  - iv) investment policies, standards and procedures  
(section 13.1 (6) and 37.1, last paragraph)



- v) other regulations proposed under the *Act respecting the Caisse* affecting rules relating to la Caisse's commercial affairs (section 23)
- vi) Investment policy return targets, taking into account the performance objectives of specialized portfolios and la Caisse as a whole.

#### Investments

- b) examining investment strategies and proposed transactions related to these strategies, which must be approved by the Board of Directors, and recommending them to the Board for approval;
- c) ensuring that climate change is factored into investment decisions in line with la Caisse's commitment to reducing the carbon intensity of its overall portfolio;
- d) ensuring that the risks faced by la Caisse are clearly identified and examining the measures taken by management to manage them appropriately;
- e) examining the management accountability concerning the implantation of investment strategies, regarding, in particular, the nature, characteristics, concentration and quality of la Caisse's portfolios trends with respect to portfolio quality, market, credit and liquidity risks, the economy, and other data on risks, as well as the accountability on the retrospective analysis of the transactions;

#### Risk management oversight

- f) ensuring that la Caisse's obligations to its depositors are met; (sections 22.1 and 45)
- g) periodically evaluating the risk culture at la Caisse by examining the results of the independent review of the effectiveness of the risk management carried out by a third party every five years;
- h) ensuring that a process is implemented to identify and manage risks and examining the risk management structure, delegations of authority and approval limits; (section 13.1 (2))
- i) overseeing the risk profile with respect to la Caisse's risk appetite and review the risk/return ratios that include the results of simulations created by stress tests carried out in connection with la Caisse's activities;
- j) at the request of the Board, examining the risk posed by strategic decisions being contemplated by the Board, including evaluating whether these decisions exceed the level of risk that is appropriate for la Caisse, and advising the Board on these issues;

- k) regularly obtaining reasonable assurance that la Caisse's risk management policies are being followed;
- l) examining and submitting to the Board for approval, when appropriate, departures and exemptions from policy that the Committee has recommended for adoption;
- m) providing the Audit Committee with the necessary information about the implementation of the risk management process and hold an annual joint meeting, unless the Chair of the Audit Committee considers that with the information sent to the Committee and the discussions on the Board of Directors, such a meeting is not necessary;  
(section 13.8 (2))
- n) ensuring that sufficient resources are allocated to risk management and reviewing and approving, when appropriate, the resource plan at least once a year;
- o) confirming the appointment and dismissal of the Executive Vice-President and Chief Risk Officer;
- p) communicating annually to the President and Chief Executive Officer his assessment of the effectiveness of the Executive Vice-President and Chief Risk Officer;
- q) in collaboration with the Human Resources Committee and the President and Chief Executive Officer, review the succession plan for the Executive Vice-President and Chief Risk Officer;
- r) assessing the independence of the Risk Management team by requiring in particular that it be free of all influence that could compromise its ability to assume its responsibilities objectively, that the responsibilities assigned to it allow for risk management to be fully assumed and that the Executive Vice-President and Chief Risk Officer reports directly to the President and Chief Executive Officer;
- s) ensuring that the Executive Vice-President and Chief Risk Officer has direct access to the Committee Chair and meets with him regularly in the absence of management.

#### Evaluation of Committee performance

- t) working with the Governance and Ethics Committee, reviewing every other year the relevance of its mandate, and evaluating annually how effectively it fulfills its mandate.

#### **9. Other mandates**

The Committee carries out other mandates entrusted to it by the Board of Directors.



## 10. Resources

The President and Chief Executive Officer sees that the Committee has adequate human, material and financial resources, particularly as regards external experts, to carry out its responsibilities.

(section 5.13)

When the Committee wishes to use the services of external experts, it shall send, for information purposes, prior notice to the Chair of the Governance and Ethics Committee, with copies to the Chair of the Board of Directors and the President and Chief Executive Officer. This notice shall include a description of the mandate and the budget. The Chair of the Board of Directors shall inform the Board of Directors when such mandates are granted.

To fulfill its responsibilities, the Committee may consult all Caisse records and contact any officer, employee or auditor, if it is justified to exercise its duties

## 11. Reports

The Committee reports to the Board of Directors on the results of its work after each of its meetings. This report contains in particular the recommendations that it considers necessary.

The Committee also submits to the Board of Directors a summary of its proceedings to be included in la Caisse's annual report.

(section 13.6)

Records of deliberations of the Committee are transmitted to members of the Audit Committee and of the Board of Directors for information once approved.

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The numbers in parentheses refer to the corresponding sections in the *Act respecting the Caisse de dépôt et placement du Québec*.

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