

## ECN CAPITAL CORP.

### CREDIT & RISK COMMITTEE MANDATE

As of October 3, 2016

#### 1. Purpose and Scope

The Credit & Risk Committee (the “**Committee**”) is responsible for assisting the Board of Directors (“**Board**”) in fulfilling its oversight responsibilities with regard to (a) the major risks that are inherent to ECN Capital Corp.'s (the “**Corporation**”) business activities, including credit risk, market risk, funding risk, reputation risk, business continuity risk, and operational risk, and the control processes with respect to such risks, (b) the Corporation's enterprise risk management framework, including the policies, procedures, practices and resources employed by the Corporation to manage and assess its major risks, (c) reviewing and recommending to the Board proposed acquisitions and the terms thereof; and (d) fulfilling the other responsibilities set forth in this Mandate or by the Board.

#### 2. Membership and Chair

##### *Number, Term and Qualification of Members*

Following each annual meeting of shareholders, the Board shall appoint from its number three or more directors (the “**Members**” and each a “**Member**”) to serve on the Committee at the pleasure of the Board until the Member resigns, is removed or replaced, or ceases to be a member of the Board. Each Member must have an understanding of issues related to risk and credit risk management or related business experience.

##### *Independence of Members*

At least 50% of the Members shall be independent, within the meaning of the provisions of National Policy 58-201 *Corporate Governance Guidelines*, as it may be amended and/or replaced from time to time, subject to any exemptions or relief that may be granted from such requirements.

##### *Chair*

The Board shall appoint one Member as the chair of the Committee (the “**Chair**”). Unless a Chair is appointed by the Board, the Members may designate a Chair by a majority vote of the full Committee membership.

The Chair will preside at all meetings of the Committee at which he or she is present. If the Chair is absent from a meeting, the Members shall select a Member from those in attendance to act as Chair of the meeting.

The Chair will develop the agenda for each Committee meeting and will meet as required or advisable with the Chief Executive Officer, the Chief Risk Officers (“**CROs**”) and such other members of management of the Corporation in order to consider matters for inclusion in the Committee's agenda and the information to be provided by management to the Committee. The agenda for each meeting of the Committee, other than an *ad hoc* meeting, will be delivered to each Member of the Committee at least 48 hours prior to any meeting of the Committee, together with such other materials as the Chair determines necessary.

### ***Sub-Committees***

The Committee may designate a sub-committee to review any matter within this Mandate as the Committee deems appropriate.

### **3. Meetings**

#### ***Number of Meetings***

Meetings of the Committee may be called by any Member, the Chair of the Board or the Chief Executive Officer, President or Chief Financial Officer of the Corporation. Meetings will be held at least once each fiscal quarter and not less than five times in each fiscal year and shall otherwise meet as frequently as it determines necessary for the Committee to fulfill its responsibilities.

Notice of the time and place of each meeting shall be given to each Member and to the Chair of the Board and the Chief Executive Officer of the Corporation and, if requested by the Chair, the internal auditor (if and when appointed). Notice of meeting (other than an *ad hoc* meeting) may be given orally or by letter, facsimile or telephone not less than 48 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

Notice of the time and place of *ad hoc* meetings will be given to each Member not less than three hours before the time when the meeting is to be held. Where a quorum of Members is not available for such a meeting, the secretary of the Committee will call upon such other members of the Board as are required to achieve the Committee's quorum requirements.

#### ***Quorum***

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time attending in person or by telephone or other electronic means or by a resolution signed by all Members entitled to vote on that resolution at a meeting of the Committee. Matters decided by the Committee shall be decided by majority vote, each Member is entitled to one vote in Committee proceedings.

#### ***Minutes; Reporting to the Board***

The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

The Chair will report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board at the Board's next meeting. The Committee will make such recommendations to the Board as it may deem appropriate. The Committee will also approve any report of the Committee to be included in the Corporation's information circular and such other reports relating to the activities of the Committee as may be required by the Corporation or the Board from time to time.

### ***Attendance of Non-Members***

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.

### ***Procedure***

Subject to the *Business Corporations Act* (Ontario) and the Corporation's articles and by-laws, the procedure at meetings will be determined by the Committee unless otherwise determined by a resolution of the Board or by this Mandate.

## **4. Duties and Responsibilities**

Subject to the powers and duties and the Board, the Committee shall oversee the Corporation's risk management and credit risk management functions and processes, which oversight may include, in the case of risks overseen by the full Board or another committee of the Board, working with the Board or such other committee. To this end, the Board has delegated the following powers and duties to be performed by the Committee on behalf of and for the Board:

### **(I) Risk Management Related Duties and Responsibilities**

#### **Risk Understanding**

- (a) Review annually the report from management identifying on an enterprise-wide basis current and emerging material risks confronting the Corporation in terms of gross risks, measures taken and controls being applied to mitigate risks and the net of residual risks faced and the Corporation's responses to trends affecting those exposures;
- (b) Review quarterly reports on a number of the identified material risks;
- (c) Consider emerging industry and regulatory risks issues and their potential impact on the Corporation;

#### **Risk Policies**

- (d) Review the Corporation's Treasury and Financial Risk Management Policy and other material risk management policies annually and, if considered appropriate, recommend such policies to the Board for approval;
- (e) Review with management the conceptual framework for the assessment of material risks and the plans and policies to mitigate their impact on the Corporation;
- (f) Review annually and approve changes when appropriate to the policies implemented for the mitigation, management and control of risk, including risk appetite, underwriting management, asset-liability risk management, capital risk, operational risk management, and mergers and acquisitions;

#### **Risk Review**

- (g) Review and consider with senior management the Corporation's risk capacity, risk taking philosophy and approach to determining an appropriate balance between risk and reward;

- (h) Review and evaluate the Corporation's current exposures to funding currency, interest rate and other market risks in relation to its capacity to bear risk, and the management of such risks;
- (i) Review and discuss with senior management the Corporation's significant financial and non-financial risk exposures, including market, credit, liquidity, operational, reputational, strategic, regulatory, and business risks, and the steps senior management has taken to mitigate, monitor and control such risk exposures;

### **Governance**

- (j) Ensure that those managing risk with the Corporation have adequate authority, independence and resources to perform their mandates;
- (k) Ensure that independent reviews of the risk management functions are conducted as needed;
- (l) Review the effectiveness of those managing risk in the Corporation and of the risk management functions annually;

## **(II) Credit Risk Management Related Duties and Responsibilities**

### **Credit Risk Management**

- (m) Ensure that management has established processes and an enterprise risk management framework and governance structure designed to identify, bring to the Board's and/or the Committee's attention, and appropriately manage, monitor, control and report exposures to the major credit risks affecting the Corporation (including credit, market, funding, reputation, and operational risks);
- (n) Annually review and recommend to the Board the contents of the Corporation's Risk Tolerance Statement that defines the amount of risk that the Corporation can take to achieve its strategic objectives (including quantitative and qualitative measures of risk related to credit, regulatory, reputation, capital and earnings volatility);
- (o) Monitor the performance and quality of the Corporation's credit portfolio through the review of measures of credit quality and trends and such other information as it deems appropriate, including non-performing assets, credit delinquencies, repossessed assets and charge-offs;
- (p) Review and assess the Corporation's risk grading methodology, allowance for loan loss and reserve policies;
- (q) Review management's evaluation of credit risk aspects of strategies or exposures to industry segments, countries, and key markets to ensure they are in keeping with overall credit risk tolerances;
- (r) Receive and review reports on selected credit risk topics as management or the Committee deems appropriate from time to time;

- (s) Review at least annually and approving as required: (i) management's evaluation of the performance of risk rating systems; and (ii) risk appetite and risk-based capital requirements, and recommending the appropriate capital level for risk to the Board;

It is not the responsibility of the Committee to conduct risk assessment and management; rather, the Committee is responsible for reviewing the Risk Management Corporate Policies pertaining to risks, and management implementation thereof, as provided herein;

#### **Funding Risk Management**

- (t) At least annually, review and approve the Corporation's investment, loan, liquidity, funding, cash management, liability and hedging strategies;
- (u) Monitor the performance of the Corporation's funding, hedging and syndication activities;
- (v) Review the Corporation's liquidity position and contingency plans and monitor internal and external factors and events that could have a bearing on such positions and plans;
- (w) Monitor interest rate risk for excessive risk exposure, review interest rate risk sensitivity analyses and reports, and review management's assessment of the adequacy of the Corporation's interest rate risk management information systems;

#### **Adherence to Risk Management Corporate Policies**

- (x) Oversee the administration and effectiveness of, and compliance with, the Corporation's credit policies through review of such processes, reports and other information as it deems appropriate;
- (y) Review and assess the adequacy of the Corporation's allowance for credit losses and periodically review the methodology used by management in computing the adequacy of reserves;
- (z) Oversee the continual re-evaluation of the Corporation's credit risk monitoring programs, processes and credit risks;
- (aa) Review reports of significant issues prepared by the Corporation's internal credit risk oversight functional groups and committees;

#### **Credit Risk Organizational Matters**

- (bb) Recommend to the Board the exposure limits and risk-taking authority to be delegated by the Board to the Chief Executive Officer;
- (cc) Review, and jointly with the Compensation & Corporate Governance Committee recommending to the Board, the appointment or change of the CROs, as required; and annually assessing the effectiveness of the CROs and reviewing and approving his or her mandate;

- (dd) Review and approve annually the organizational structure and resources of the risk management function and assessing its effectiveness and confirm to the Board that sufficient and appropriate resources are being dedicated to risk management efforts;
- (ee) Receive, jointly with the Compensation & Corporate Governance Committee of the Board, management's assessment of effectiveness of the design and operation of the Corporation's incentive compensation system;

#### **Strategic Initiatives**

- (ff) Review the proposed material acquisitions of portfolios and businesses and the terms thereof;
- (gg) Oversee the due diligence process, review conclusions and management proposal and recommend course of action to the Board;
- (hh) Receive and review reports concerning the integration of acquisitions;
- (ii) Review and advise on the risk impact of any strategic decision, as requested by the Board; and

#### **Business Continuity Planning**

- (jj) Review periodically the Corporation's business continuity and disaster recovery plans, training programs and threat analysis to ensure that the Corporation is adequately prepared to promptly recover any disrupted functions and information following a natural disaster, act of terrorism, systems interruption or other event that significantly interferes with the operations of the Corporation's business as well as the adequacy of the measures adopted to protect the Corporation from hacking or other illicit invasion of its systems.

### **5. Access to Management and Outside Advisors**

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation. The Committee has the authority to determine any such advisor's fees and other retention terms.

The Committee will have full, free and unrestricted access to management and employees and such persons shall be instructed by the Board to respond to such inquiries. In carrying out its oversight responsibilities, Members shall be entitled to rely on the integrity and expertise of those persons providing information to the Committee and on the accuracy and completeness of such information, absent actual knowledge of inaccuracy. Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually. Members may also meet with the external auditors, if and when they deem appropriate.

### **6. Continuing Education**

The Committee will have access to continuing education programs to assist the Committee in fulfilling its responsibilities and the Corporation will provide appropriate funding for such programs.

**7. Mandate Review**

The Committee shall review and assess the adequacy of this Mandate at least annually to ensure compliance with any rules or regulations promulgated by any regulatory body and recommend to the Board's Compensation & Corporate Governance Committee any modifications to this Mandate as considered.

**8. Corporate Governance**

The information and reports reviewed by the Committee may be relevant to the responsibilities of other Committees of the Board, particularly the Audit Committee, and vice-versa. Accordingly, each Committee should provide to each other the information and material deemed important for the performance of their responsibilities.

**9. No Rights Created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Corporation. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's articles and by-laws, it is not intended to establish any legally binding obligations.

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**This Mandate of the Credit & Risk Committee was reviewed and approved by the board of directors of the Corporation on: October 3, 2016.**