

PAYMENTS CANADA

RISK COMMITTEE TERMS OF REFERENCE

1. DUTIES AND RESPONSIBILITIES

The Risk Committee (the “Committee”) is a standing committee of the Payments Canada Board of Directors (the “Board”), which will generally assist the Board in fulfilling its responsibilities in relation to risk oversight.

The Committee will carry out and report to the Board regarding the following responsibilities:

(a) Risk Oversight

While other committees of the board evaluate, monitor and report on risks relating to specific areas delegated to them by the board, the Risk Committee is accountable for evaluating, monitoring and reporting to the Board on the comprehensive risk activities of Payments Canada at the enterprise level.

In carrying out these responsibilities, the Committee will:

- (i) Oversee Payments Canada’s risk management function, including: satisfy itself that the risk management function has adequate resources and independence to perform its responsibilities effectively, that the Board committee structure and composition provide for effective oversight of risk, and that a culture of risk awareness is promoted throughout the organization;
- (ii) Oversee Payments Canada's Enterprise Risk Management (“ERM”) program including:
 - (1) Review and recommend to the Board an ERM policy that establishes the overall intent and expectations for risk management at Payments Canada including: appropriate approval levels for risk-related decisions, controls to mitigate risk, and relevant and prudent risk management policies;
 - (2) Review and recommend to the Board a risk appetite policy, including review of Payments Canada’s risk appetite and related metrics used to define acceptable risk parameters; and
 - (3) Annually review the effectiveness of the ERM policy and risk appetite policy and, at least once every three years, initiate and review the results of an internal audit of the ERM framework;

- (iii) Review and report to the Board concerning Payments Canada's treatment of risk in the context of the risk appetite:
 - (1) Review Payments Canada's risk profile as measured against the approved risk appetite;
 - (2) Review annual business plan alignment with the risk appetite and satisfy itself that incentives are consistent with adhering to the risk appetite;
 - (3) Review the identification, measurement, monitoring and control of its principal risks in the context of the risk appetite and satisfy itself that risk controls are operating effectively; and
 - (4) Question activities outside of the risk appetite (if any); and
- (iv) Understand and report to the Board concerning the significant risks (individually and as a portfolio) that Payments Canada is exposed to, including:
 - (1) Assess the inherent risks of major corporate strategies, and have an understanding of the policies, procedures and controls used to manage these risks;
 - (2) Review significant and emerging risk issues to which Payments Canada is exposed and the effectiveness of Payments Canada's risk mitigation strategies in relation to those significant risks;
 - (3) Review Payments Canada's regular risk activities, and satisfy itself that Payments Canada is conducting and incorporating learnings from business continuity plan exercises and disaster recovery exercises; and
 - (4) Satisfy itself that there is a robust education and training program so that all in Payments Canada understand their roles and responsibilities with respect to risk management.

(b) Projects

Monitor, oversee and make recommendations to the Board in relation to any project in respect of which the Board delegates oversight to the Committee.

2. MEMBERSHIP

(a) Chairperson

The Board will appoint one member who is qualified to be Chair of the Committee, to serve until the next annual election of directors or otherwise until his or her successor is duly appointed. If, following the election of directors, in any year, the Board does not appoint a Chair of the Committee, the incumbent Chair of the Committee will continue in office until a successor is appointed. In the event the Chair is unable to act as Chair at any meeting of the Committee, the members of the Committee present at the meeting will elect an acting Chair of the meeting from their number on a majority basis.

(b) Composition

The Committee will have four (4) members as selected by the Board, with two independent directors (other than Board Chair) as referred to in paragraph 8(1)(d) of the Canadian Payments Act and two member directors. Members of the Committee should have risk management expertise and interest. The Board Chair is an ex officio non-voting member of the Committee.

(c) Non-Member Attendance

The President and Chief Executive Officer (CEO) and Chief Risk Officer (CRO) will be invited to attend the open portion of all Committee meetings, and may be invited to *in camera* portions of meetings on the invitation of the Committee Chair. Other members of the Board may attend Committee meetings, with notification to the Committee Chair and Corporate Secretary. The Committee may, at its discretion, invite non-Committee members to attend all or part of any meeting.

(d) Removal and Vacancies

Any member of the Committee may be removed and replaced at any time by the Board. The Board will fill vacancies on the Committee as soon as it is reasonably practical to do so among the members of the Board eligible to fill the vacancy. If and whenever a vacancy exists in the Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

(e) Term

Each member of the Committee will hold office until the earlier of:

- (i) The next annual meeting;
- (ii) The date the member ceases to be a director; or
- (iii) The date the director is removed from the Committee in accordance with subsection 2(d), above.

3. MEETINGS

(a) Scheduling and Calling of Meetings

Generally, Committee meetings will be scheduled to coincide with regularly scheduled Board meetings throughout the year, in the same location as the Board meeting. The Chair of the Committee, or any 2 of its members, may call additional meetings of the Committee, to address any matter of importance to the Committee that cannot be addressed during regularly scheduled meetings by providing 7 days notice to all members of the Committee and to Payments Canada. Committee meetings may be held at any place in Canada. With permission of the Committee Chair, on an exceptional basis, meetings may be held and members may attend meetings by electronic means.

(b) Meeting without Notice

When required, the Committee may hold a meeting without notice if all members of the Committee agree to waive notice.

(c) Secretary

The Corporate Secretary of Payments Canada will, subject to any contrary direction of the Committee, act as secretary of the Committee.

(d) Quorum

A quorum at any meeting will be a simple majority of committee members, calculated using the number of committee members appointed at the most recent board organizational meeting.

(e) Voting

At all meetings of the Committee, every question put to a vote will be decided by a majority of the votes cast on the question. In case of a tie, the Chair of the Committee will not have a second vote.

(f) *In Camera* Meetings

At every meeting, the Committee will hold *in camera* meetings with the CRO only; with the President and CEO only; and without representatives of Payments Canada present, to discuss any matter.

(g) Reporting

The Committee will report regularly to the Board on all significant matters it has addressed. The Committee will circulate minutes of its meetings to all directors in a timely fashion. Minutes circulated to non-committee members may be redacted as required to address sensitive, confidential or personnel matters not reasonably required to be known (in writing) by the other directors.

The Corporate Secretary will circulate minutes to all Risk Committee members in a timely fashion.

(h) External Advisors

With approval of the Board, the Committee may retain such advisors, consultants and other experts as are reasonably required to assist the Committee in fulfilling its duties.

4. WORK PLAN

Annually, the Committee shall establish a work plan for the coming year that sets out the major tasks of the Committee for each of its planned meetings, for approval by the Board.

5. ASSESSMENT

At least annually, the Committee will assess its effectiveness in fulfilling its responsibilities and duties as set out in these Terms of Reference.

6. OVERSIGHT OF POLICIES

The Committee is currently responsible for overseeing and recommending changes to the Board in respect of the following policies:

- (i) Enterprise Risk Management Policy;
- (ii) Risk Appetite; and
- (iii) Such other policies and guidelines as the Committee may establish from time to time.

7. REVIEW

Annually, the Committee will review these Terms of Reference to assess whether they accurately describe the duties and responsibilities of the Committee, and shall either confirm or recommend changes to the Terms of Reference for Board approval.

REVISION HISTORY:

Approved: June 22, 2017
Revised: November 29, 2018
November 28, 2019
December 3, 2020