

## **DGIG Governance Framework**

January 1, 2018

Corporate governance serves to establish the roles and responsibilities within the organization in order to ensure effective management in line with the organization's mission, vision, strategic objectives and values. It involves guiding the organization, overseeing its operations and adequately managing its risks.

Desjardins General Insurance Group and its insurance subsidiaries (DGIG) have developed an effective and efficient governance based on a strong corporate culture that takes into account the long-term interests of the organization and its clients, that helps the organization carry out its mission and that reflects its organizational values.

DGIG's Board of Directors is responsible for implementing and evaluating the organization's governance framework. The governance framework includes a number of mechanisms for which the Board assumes certain responsibilities.

Adopted by the Board of Directors, DGIG's *Governance Policy* is a key element of the governance framework, which consists of governance documents and processes, reporting mechanisms, and an independent audit, all of which take into account the legislative and regulatory requirements that govern DGIG, including the guidelines issued by the Autorité des marchés financiers (the AMF) and the Office of the Superintendent of Financial Institutions (OSFI). The policy clearly defines the roles and responsibilities of various stakeholders in terms of governance.

### **Roles and responsibilities of the Board of Directors**

The Board of Directors approves DGIG's strategic and financial plans and must ensure that the governance framework supports the achievement of the organization's strategic objectives. The Board is responsible for ensuring that DGIG operates in compliance with all legal and regulatory requirements and that independent supervisory functions are put in place, are filled and have a succession plan. The Board ensures that there is independent, effective, ongoing oversight of the company's operations, so that the effectiveness of control mechanisms and the reliability of corporate reports and financial results can be verified. The Board also adopts governance documents and positionings pertaining to human resources management on issues such as global compensation and ensures that a succession plan is in place for DGIG senior management positions.

The Board has adopted policies on risk management and approves and ensures compliance with the risk tolerance levels and limits established according to the company's risk appetite. The Board must also adopt a compliance policy which establishes a management framework that identifies, assesses, measures, controls, mitigates and tracks non-compliance risks.

The Board also ensures that effective internal control and reporting mechanisms are in place. It examines and approves the mandates of internal control teams and external auditors, as well as the scope of their activities.

## Committees of the Board

The Board forms the committees needed to meet legal requirements or to support it with its responsibilities. It establishes and reviews the mandates for any such committees, appoints their members and receives regular reports from their chairs. Mechanisms are in place to ensure the independence of its members and to evaluate the Board itself and its committees, the directors, and the committee members. There are four Board committees:

The **Executive Committee** has all the powers of the Board over DGIG's affairs, except for any that the Board has reserved for itself or that it must carry out according to applicable legislation. One of its roles is to oversee governance matters.

The **Conduct/Review Committee** is responsible for approving policies related to ethics and reviewing transactions between related parties. It approves the *Code of Professional Conduct* and any changes made to it. The committee also ensures that ethical and professional conduct rules are respected and that there are policies and practices in place to communicate these rules to employees.

The **Investment Committee** recommends investment policies for approval by the Board. It is responsible for reviewing and approving DGIG's investment strategy and ensuring that the strategy complies with applicable investment policies, laws, regulations and guidelines. It uses recognized and relevant indicators to review the composition, quality and performance of portfolios.

The **Audit and Risk Management Committee** is responsible for reviewing DGIG's financial results and to recommend their approval by the Board. It ensures that senior management has designed and implemented an effective internal control system with respect to financial reporting, asset protection, fraud detection and regulatory compliance. It oversees the work of the independent auditor, ensures the effectiveness of compliance management mechanisms and supports the Board on positioning, planning and overseeing risk management matters. It is also responsible for ensuring independent, unbiased supervisory functions.

## Roles and responsibilities of senior management

Members of senior management carry out all functions related to the management and operation of DGIG, in line with the company's strategy, risk appetite and Board-approved policies. They plan, conduct and control all of DGIG's business activities; develop strategies, business plans, operational objectives, organizational structures, and control measures; and sees to it that the organization achieves its strategic objectives, as set out by the Board.

## Performance and independence

The Board's performance is reviewed once a year by its members, who fill out an evaluation form. Results are analyzed and opportunities for improvement are identified.

A self-assessment test has also been introduced to evaluate Board members' knowledge, primarily in response to the AMF's *Guideline Governing Integrity and Competency Criteria*. The goal of the self-assessment test is to

help the Board operate more efficiently and recognize the skills and expertise of its members. It is completed once a year by Board members. Results are analyzed and opportunities for improvement are identified.

Orientation and continuous training programs are in place to ensure directors are aware of their duties and responsibilities to DGIG. All new directors are required to attend an information and orientation session that includes training on DGIG's structure and governance, the property and casualty (P&C) insurance market, DGIG's strategic plan, financial concepts specific to P&C insurance, risk management and other topics. New directors are also given a reference manual containing information about DGIG, its policies and the mandates of its Board and Board committees.

All directors follow a continuous training program that is tailored to their specific needs and that reflects changes in certain areas of the company, such as risk management or ratemaking.

The *Policy on the Composition of Boards of Directors of Subsidiaries and Other Components* provides guidelines on selection criteria for Board members, making sure they are in line with Desjardins's vision and values, particularly with respect to integrity and diversity. The policy also makes sure that Board members collectively possess the expertise required for the Board's activities and the general profile expected by regulatory authorities. Senior managers are nominated per their qualifications, particularly their education, professional titles and work experience.

The Board of Directors adopted a *Code of Professional Conduct* that applies to all employees, directors and officers of DGIG, and a *Conflict of Interest Management Policy*, which establishes a framework to prevent, identify, assess, mitigate and report any potential or existing conflict of interest. The Board also adopted the *Policy on Assessment of Integrity and Suitability of Directors and Officers*, which ensures an initial and periodic assessment of the integrity of Board members and senior management.

## **Compensation**

The Board has adopted a *Compensation Policy for DGIG Directors*, which outlines equity criteria for compensation and eliminates the risk of compensation becoming an influential factor in decision-making. The Board has also adopted a policy that outlines compensation rules for individuals in senior management, supervisory function and risk management roles.

For more information on DGIG's governance and facts about the organization, please see the [Desjardins Group Annual Report](#).