
Risk Management

1. Introduction

CLBC takes seriously its obligations to ensure that material risks are identified, to ensure the implementation of systems to manage or eliminate those risks, and to ensure those systems are regularly reviewed and updated. A material risk is defined as the chance of something happening, measured in terms of probability and impact, that may adversely affect the achievement of CLBC's strategic objectives.

Risk management applies to and will inform all of CLBC's activities including developing its strategic plans, and generally, in all decision-making processes.

The following describes CLBC's risk management principles applicable to all types of risk in all activities undertaken by or on behalf of CLBC. It also outlines the risk management roles and responsibilities for the CEO, the Board, and the Board Committees.

2. Duties and Responsibilities

2.1. Collaboration

The duties and responsibilities in the risk management process are shared among the CEO, the Board, and the Board Committees. Primary responsibility for CLBC's risk management is vested in the CEO and overseen by the Board of Directors.

With respect to the Committees' roles in risk management, the Finance and Audit Committee takes the lead in managing the process and overseeing the risk framework, but other Committees are also assigned responsibility for particular areas of risk, and there may be areas of overlapping responsibilities where Committees will be required to work together.

2.2. CEO

The CEO is responsible for establishing processes, procedures and mechanisms by which key matters of financial and non-financial risk are identified, and ensuring that strategies are developed to manage such risks.

2.3. Board

The Board has responsibility to:

- a) understand the key financial and non-financial risks of CLBC's operations;
- b) ensure, through regular reviews and assessments, that management has established appropriate systems to manage these risks; and
- c) receive regular reports on the management of material risks to CLBC.

In particular, the Board will review with management the policies and procedures that are in place to identify, manage and monitor material risk including, but not limited to:

- a) employee and individual safety;
- b) interest rates and investments;
- c) risks of low probability with high impact and disaster preparedness;
- d) operational risks of medium probability with low and medium impact; and
- e) such other risk issues of concern to the Board and management.

At least annually, the Board conducts a risk review where it reviews:

- a) CLBC's material risks;
- b) the adequacy of management's policies and procedures to identify and manage risk; and
- c) the effectiveness of management's risk management processes.

2.4. Finance and Audit Committee

The Finance and Audit Committee will support the Board with respect to risk management, and will:

- a) provide leadership to the Board's overall approach to risk management oversight, including organizing the Board's annual risk review;
- b) understand the material financial risks to CLBC;
- c) review management's systems to manage these risks; the assignment of risks to committees and the process for adding risks to the list;
- d) receive regular reports on the management of material risks to CLBC;
- e) review insurance coverage of material business risks and uncertainties and annually approve CLBC's insurance coverage; and
- f) lead an annual review with the Board on CLBC's material risks and management's systems to eliminate or manage such risks.

2.5. Service Quality and Performance Committee

The Committee will:

- a) understand the material risks to individual safety;
- b) review CLBC's policies, systems and safeguards to manage

risks to individual safety;

- c) receive reports on issues relating to individual safety; and
- d) lead that portion of the Board's risk review related to individual safety.

2.6. Governance and Human Resources Committee

The Committee will:

- a) review the identification, assessment and management of corporate risks pertaining to Governance and Human Resources at CLBC.