

Governance program

To ensure sound and prudent management and compliance with regulatory requirements, the Board of Directors (the "**Board**") of Desjardins Financial Security Life Assurance Company (the "**Company**") has adopted a mandatory governance policy for all its subsidiaries. The policy is the cornerstone of the governance program, which also includes governance documents and processes, reporting mechanisms and an independent audit specific to the Company, taking into account the legislative and regulatory requirements in force.

Responsibilities of the Board of Directors

The Board of Directors is made up of a majority of independent directors and is responsible for implementing and evaluating the governance program. It ensures that the ongoing strategic and financial planning process is guided by a vision that supports the Company's mission.

The Board oversees the allocation of responsibilities between itself and senior management and ensures accountability. The Board forms any committees needed to meet legal requirements or fulfill its own responsibilities. It establishes and reviews the mandates, enhanced group profiles and selection criteria for these committees. It appoints their members and receives regular reports from committee chairs. The Board also adopts the mandate of the Company's Management Committee and oversees the succession plan for Company managers.

The Board oversees the ongoing, effective and independent supervision of all activities, management and control duties entrusted to senior management. This oversight makes it possible to verify the effectiveness and performance of control mechanisms, the reliability of reports and the accuracy of the financial results announced by the Company.

As part of its supervision, control and reporting duties, the Board approves the mandate of the Audit Committee responsible for overseeing the financial reporting process. At the annual shareholder meeting, the Board recommends an external auditor.

The Board adopts a risk governance framework that includes the governance documents needed to ensure effective management, an efficient operational management system, and a proactive and integrated risk assessment program. It appoints a chief risk officer. For this purpose, the Board approves and enforces risk tolerance levels and limits established according to the Company's risk appetite.

The Board maintains a compliance management program that includes policies and procedures to identify, assess, quantify, control, mitigate and monitor compliance risks. To that end, it approves a compliance policy and appoints a chief compliance officer.

The Board introduces mechanisms to ensure that members remain independent and impartial in the evaluation of the Board and its committees. Onboarding and training programs are implemented to ensure Board members are aware of their duties and responsibilities to the Company and can develop their skills.

Responsibilities of the Ethics, Governance and Human Resources Committee

The Ethics, Governance and Human Resources Committee is responsible for drafting rules of professional conduct and ensuring all ethical standards and rules of professional conduct are respected. It adopts the rules set out in the Company's Code of Professional Conduct and ensures that they are applied. The committee must immediately advise the Board in writing of any violation of these rules and make sure that any breaches are handled to its satisfaction. It must assess situations and dilemmas that are brought to its attention based on the values, principles and rules of ethics and professional conduct. It may issue notices, observations and recommendations on how to proceed. It reviews transactions with entities associated with the Company and makes sure they're conducted at arm's length. Every year, it submits a report to the Autorité des marchés financiers with respect to its mandate and responsibilities.

In addition, the Ethics, Governance and Human Resources Committee makes a recommendation to the Board regarding the duties and responsibilities of its directors. It ensures that the Company's corporate governance program is complied with, overseen and updated, and it reviews the internal auditor's related findings as required. It oversees the performance evaluation program for the Board and its committees, as well as the processes used to evaluate members' skills. The committee recommends annual objectives for the Board and its members, and follows up on them. It receives the report on the independence of Board members. It makes recommendations to the Board regarding the implementation and development of the governance documents under its responsibility, including the Company's Governance Policy. It also reviews and monitors the corporate governance practices and reports of regulatory bodies.

The Ethics, Governance and Human Resources Committee also makes recommendations to the Board regarding policies and governance documents that pertain to human resources management and total compensation, while making sure that these recommendations are in line with the values of the Company and of Desjardins Group. More specifically, they must consider the Company's plan with respect to human resources, annual salary recommendations and the structures and goals of general incentive plans. The committee also oversees all issues related to workplace relations and employee wellness, and ensures that the skills development programs for managers and employees are compatible with the Company's strategic plan. It also approves disciplinary action for senior managers should they ever adopt practices that aren't in line with the Board's expectations.

Responsibilities of the Audit Committee

The Audit Committee oversees the financial reporting process. It sees to the quality and integrity of the financial information presented and published according to International Financial Reporting Standards (IFRS) and ensures that proper accounting practices are followed. It ensures the efficiency of the internal controls system as a whole, as well as internal and external auditing processes. It is also responsible for ensuring that management has an effective internal controls system in place for financial reporting, safeguarding of assets, fraud detection and compliance.

The Audit Committee ensures that the Company adheres to sound and prudent management practices and that situations that don't comply with such practices are detected. It notifies the Board in writing as soon as it detects something that could significantly undermine the Company's financial situation or cause it to violate sound and prudent management practices.

The Audit Committee also monitors the independence and objectivity of the external auditor, the Desjardins Group Chief Monitoring Officer (together with the Audit and Inspection Commission and the Desjardins Group Board of Ethics and Professional Conduct) and the Appointed Actuary.

Responsibilities of the Risk Management Committee

The Risk Management Committee oversees the risk management process, ensures compliance, enforces sound commercial practices and detects situations that go against them.

The committee assists the Board with its role of directing, planning and monitoring the Company's risk appetite and integrated risk management frameworks. It also helps the Company implement strategies to support these frameworks. It reviews and makes recommendations to the Board about the governance documents, standards and policies for risks the Company is exposed to, which establish the rules for accepting, monitoring, managing and reporting risks, as well as the limits that govern people's actions. The Company's major transactions are submitted to the committee for review, along with a follow-up report about the main risks that were identified and mitigation measures so that it can advise the Board accordingly. It reviews significant risk management exceptions when they are identified and makes recommendations to the Board as needed.

The risk management committee receives the annual report and regular reports on compliance from the chief compliance officer. It ensures that the compliance management framework is periodically assessed by an external auditor and reviews the internal auditor's reports. It also makes sure that the Company has and applies a comprehensive, effective, consistent and updated compliance management framework.

It makes sure that management is integrating sound commercial practices and principles to ensure the fair treatment of clients into its risk management framework. It ensures that the Company is adhering to sound commercial practices and detects situations that go against such guidelines. It notifies the Board in writing as soon as it detects anything that could significantly undermine the Company's financial situation or cause it to violate sound commercial practices. The committee also ensures that the Company's Code of Professional Conduct preserves and strengthens its corporate culture while maintaining high standards of ethics and integrity.

The Risk Management Committee ensures that management implements processes to determine the appropriate level of capital for the Company, based on its risk profile and regulatory requirements.

Responsibilities of the Investment Committee

The Investment Committee takes an active role in reviewing and approving the Company's investment strategy and any associated risks. It oversees the monitoring and control mechanisms that ensure investments are handled in a proactive and prospective manner. It periodically reviews the Company's investment risk appetite based on its objectives. The committee must review the Company's investment policies and make recommendations on their approval to the Board. It ensures the policies are enforced, analyzes their development and sees to it that management reviews them periodically and as needed. It also ensures that these policies cover all types of investments made by the Company. It also verifies that proper internal control mechanisms are in place to ensure that the investments comply with the Company's policies and procedures and with legal and regulatory requirements. The committee must ensure that the Company adheres to sound and prudent investment management practices, in addition to detecting any breaches. It will notify the Board in writing as soon as it learns about a situation that goes against such practices.

Responsibilities of the Management Committee

The Management Committee assists the Board, its committees and the President and Chief Operating Officer of the Company with their duties in accordance with the Company's Governance Policy.

It administers, plans, directs and controls the Company's activities and operations. It monitors the governance program and implements mechanisms to ensure the Company is managed according to sound principles of financial and risk management, including internal controls, compliance, sound commercial practices, fair treatment of clients and the Principles for Sustainable Insurance, etc. It also oversees the implementation of the Board's agenda and decisions.

Events in 2023

In 2023, the Board reviewed the structure of its sub-committees. In fact, on July 1, 2023, after an extensive benchmarking exercise, it abolished the executive committee to ensure consistency across Desjardins. The Ethics, Governance and Human Resources Committee was created on the same day. In addition, effective July 1, 2023, the Board decided to split the Audit and Risk Management Committee into 2 groups: the Audit Committee and the Risk Management Committee.