

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”) adopted a mandatory governance policy for all its subsidiaries. The policy is the cornerstone of the governance program, which covers strategies and procedures specific to the Company, taking into account all applicable legal and regulatory standards.

Responsibilities of the Board of Directors

The Board of Directors is responsible for setting up and evaluating the governance program. It ensures that the ongoing strategic planning process is accomplished with a focus on achieving 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 for any such committees, 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 executives.

The Board is responsible for ensuring that senior management provides effective and ongoing independent oversight of activities and of management and control. This oversight enables the Board to verify the effectiveness of control mechanisms and the reliability of reports and financial results.

Within the scope of its oversight, control and accountability responsibilities, the Board approves the charter of the Audit and Risk Management Committee, which is responsible for overseeing the financial reporting process. It also recommends the choice of external auditor at the annual general meeting.

The Board adopts a risk governance framework that includes the policies needed to ensure effective management, an efficient operational management system, and a proactive and integrated risk assessment program. It appoints the Chief Risk Officer. It also approves and enforces risk tolerance levels and limits established according to the Company’s risk appetite.

The Board maintains a compliance program that defines and takes into consideration important non-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 in place to ensure Board members are aware of their duties and responsibilities to the Company and to continually improve their knowledge.

Responsibilities of the Executive Committee

Further to its delegated authority from the Board of Directors, the Executive Committee has all the powers of the Board over the Company’s affairs, except for any which the Board has reserved for itself or that it must carry out according to relevant legislation.

The Executive Committee makes a recommendation to the Board regarding Board members’ duties and responsibilities. It oversees governance matters, assesses mechanisms necessary to ensure effective and efficient governance practices and recommends measures to fulfil its mandate. The Executive Committee also submits policies and broad directions for human resources to the Board.

Responsibilities of the Audit and Risk Management Committee

The Audit and Risk Management Committee oversees the financial reporting and risk management processes. 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, risk management practices, and 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 and Risk Management Committee assists the Board in its role of directing, planning and monitoring risk management activities. It ensures that the Company adheres to sound and prudent management practices and that situations contrary to such practices are detected.

The Audit and Risk Management Committee also monitors the independence of the External Auditor, the Desjardins Group Chief Monitoring Officer, the Chief Risk Officer and the Appointed Actuary.

Responsibilities of the Ethics Committee

The Ethics Committee is responsible for drafting rules of professional conduct and for ensuring adherence to standards of ethics, professional conduct and compliance and sound commercial practices at the Company.

It adopts the rules set out in the Company's Code of Professional Conduct and ensures that they are applied. The Ethics Committee is required to immediately advise the Board in writing of any violation of these rules and to ensure that all violations are dealt with to its satisfaction. It must assess situations and dilemmas that are brought to its attention according to the values, principles and rules of ethics and professional conduct and may issue notices, observations and recommendations on how to proceed. It reviews transactions with entities associated with the Company and ensures that they are conducted at arm's length.

The Ethics Committee verifies that the Company adheres to sound commercial practices and ensures that situations contrary to such practices are detected.

The Ethics Committee also ensures that the Company has and makes use of a compliance management framework that allows the Chief Compliance Officer to obtain reasonable assurance that the Company is in compliance with regulations and that regulatory risks are being effectively managed. To that end, it monitors the independence of the Chief Compliance Officer.

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 examines and makes recommendations on the Company's investment policies to the Board, ensures the policies are enforced and reviews their effectiveness, and sees to it that management reviews the policies periodically and as needed. The Investment Committee must also ensure that the investment policies cover all types of investments made by the Company. It verifies that proper internal control mechanisms are in place to ensure that investments comply with the Company's policies and procedures and with legal and regulatory requirements. It also verifies that the Company adheres to sound and prudent investment management practices and ensures that situations contrary to such practices are detected.

Notable events in 2020

The mandates of the Management Committee and its sub committees were updated in 2020.