



EquityLine Mortgage Investment Corp.

**Corporate Governance**

Effective Date: **January 1, 2019**

Reviewed and unchanged December 2019

Reviewed and unchanged December 2020

Reviewed and unchanged December 2021

Reviewed and unchanged December 2022

## 1. Purpose

The purpose of this policy is to establish and communicate a governance framework of procedures and controls in alignment with applicable securities laws (using Ontario as a baseline) and, to the extent applicable, with the intention of ensuring compliance with the regulatory policies and procedures of the Jamaican Stock Exchange and potential Toronto Stock Exchange as well as Equityline Services Corp on behalf of EquityLine Mortgage Investment Corp. (“**EQ MIC**”) strategy, business plan, and risk appetite.

## 2. Scope/Applicability

This policy applies to EQ MIC, its affiliates, Directors, officers, employees, and pertains to all products and services provided by EQ MIC and all dealings between EQ MIC and any third party.

## 3. Principles

### 3.1. Statement of Philosophy

The objective of this policy is to:

- Define vocabulary, concepts and principles shared by all the parties involved
- Provide criteria to evaluate the effectiveness of strategies and processes
- Align strategy with risk appetite
- Reduce the likelihood and/or impact of negative events and therefore operational losses
- Identify and manage multiple and cross-enterprise risks
- Strengthen the link between internal control, risks, and achievement of objectives
- Set out the control and governance structures and/or frameworks to enable EQ MIC to meet the evolving needs of its clients by developing innovative solutions and expanding their product while at the same time avoiding the financial and reputational damage that could result from a failure to identify and address associated risks
- EQ MIC recognizes that no system of controls is fail-safe, as it is subject to unintentional human error, inadequate understanding of controls, staffing constraints, fraud or inadequate management control, as well as the need to balance the cost of controls with the risks they are meant to monitor and mitigate

## 4. Oversight and Authority

Authority in EQ MIC ultimately resides with the Board of Directors. This authority is delegated directly by the Board to senior management in order to execute the strategy of EQ MIC and manage its risks.

The Board provides senior management with the authority to further delegate its authority as appropriate in order to effectively manage EQ MIC.

#### 4.1. Roles and Responsibilities

<i>Role or Committee</i>	<i>Responsibilities</i>
Board of Directors – general enterprise responsibilities	i. Approving overall strategy and risk appetite ii. Reviewing and approving senior management’s articulation and communication of the institution’s risk tolerance to all relevant levels of the organization iii. Overseeing senior management and internal controls iv. Ensuring that a reasonable and prudent policy is established and maintained v. Reviewing and approving this policy per the review cycle vi. Receiving timely, accurate, independent and objective reporting per policy requirements vii. Reviewing reported significant occurrences of non-compliance along with remedial actions plans viii. Providing senior management with the authority to further delegate its authority as appropriate
Board of Directors – specific responsibilities for this policy	i. Ensuring that a reasonable and prudent policy is established and for delegating the execution of this policy to senior management ii. Reviewing of the high level delegation of authority during the annual review of the strategic plan iii. Appointing, performing review and compensation of senior management iv. Succession planning with respect to the Board and senior management v. Mandating, resourcing and budgeting for the oversight functions vi. External audit planning, including audit fees and the scope of the audit engagement
Senior Management	i. Overseeing activities and employee adherence to EQ MIC policies and EQ MIC’S corporate vision, mission and values ii. Ensuring effective implementation of the Board’s decisions iii. Identifying and communicating strategic, operational, and financial risks to members of senior management as appropriate iv. Bringing significant matters to the attention of the Board in a timely manner and as dictated by the urgency of the issue v. Ensuring that the Board and Board Committees are provided with the resources and information they require to fulfill their mandates, including access to senior management and, when requested, external advisers vi. Providing leadership, direction, and motivation to EQ MIC’S employees vii. Senior management is responsible for conducting an annual review of the high level authorities delegated and recommending any changes to the Board of Directors. It is responsible for confirming that, on an enterprise-wide basis, the components of this policy are followed

#### 4.2. Exception Management

A person wishing a policy exception will inform the policy owner. Requests will be documented including:

- Business justification

- Risk analysis
- Compensating controls
- Remedial action plan

Exceptions will be approved as listed below. Exceptions will not be automatically approved. Exceptions will be periodically reviewed, and not automatically renewed.

#### **4.3. Next Review Date**

This policy and its associated processes and controls are to be reviewed and updated, if required, and at least annually. The review will be completed in order to ensure that the policy remains consistent with internal practices, industry practices and applicable regulatory requirements.

### **5. Requirements**

#### **5.1. Strategy and Objectives**

The Board will set short-term and long-term enterprise-wide business objectives, strategy and plans (capital, financial, liquidity) annually. Risk and control assessment results will be used as an input to planning.

#### **5.2. Mandates and Delegation**

##### *5.2.1 Board Authority*

All authority in EQ MIC ultimately resides with the Board of Directors. This authority is delegated directly by the Board to senior management in order to execute the strategy of EQ MIC and manage its risks. The Board provides senior management with the authority to further delegate its authority as appropriate in order to effectively manage EQ MIC.

Delegation of authority can be made to meet operational demands but the Board retains ultimate accountability. Although an individual may delegate authority, he/she cannot abdicate responsibility for the assigned activity. It is his/her responsibility to monitor the activity delegated.

Delegated authorities align with the internal control objectives of EQ MIC. Delegated authority will align with organizational assignments of responsibility, so that those with the information, knowledge, and concern for responsible outcomes have the means to act accordingly.

The Board will approve:

- Enterprise-wide business objectives, strategy and plans (capital, financial, liquidity), including the Risk Appetite Framework
- Significant strategic initiatives or transactions, such as mergers and acquisitions
- Internal control framework
- Appointment, performance review and compensation of senior management
- Succession plans with respect to the Board and senior management
- Annual Budgets
- External audit plan, including audit fees and the scope of the audit engagement

The Board will review and discuss:

- Significant operational and business policies
- Business and financial performance relative to the strategy and risk appetite framework
- Compensation policy for all human resources
- Implementation of internal controls, including their effectiveness
- Organizational structure
- Compliance with governing legislation

### 5.2.2 Mandates

Board mandates will define specific authority and accountabilities for the Board and its committees. Authority will be granted to senior management by the Board through the mandate(s) they have been given. Senior management may be granted the authority to further delegate their authority through these mandates.

Mandates will include information on:

1. Qualifications
2. Responsibilities
3. Authority to delegate

### 5.2.3 Delegation of Authority

Authority is delegated from the Board, senior management, or an individual who has been granted authority by either group. An individual may delegate authority to individuals who report to him/her or to others. An individual to whom a function has been delegated may in turn be apportioning and overseeing that function, and will be expected to perform a leading role that reflects his/her position.

Delegation and any changes to the delegation will be documented and communicated to relevant parties.

The individual delegating the authority will have monitoring in place to confirm that the delegation is operating as intended.

Authority delegated by an individual who has left EQ MIC or changed positions expires after three months, after which the delegated authority resides with the supervisor of the individual or a new delegate.

## 5.3. Internal Control

### 5.3.1 Definition

Internal controls can be broken down into the following major elements:

- **Management Oversight and Control Culture:** This reflects management's philosophy, operating style, organizational structure and assignment of authority and responsibility.
- **Risk Assessment:** This includes an assessment of the risks associated with operations and strategic planning, risk identification and analysis, change management, and risk-based methods to control or mitigate the risks.
- **Control Activities:** This includes specific activities providing reasonable assurance that the objective of the control designed is achieved. These include activities such as restricted authorities

for authorization and initiation, segregation of incompatible duties, and maintaining proper books of account with supporting documentation.

- **Information and Communication:** This includes documentation and processes such as written policies and procedures, defined process goals, organization charts, role/position descriptions, performance evaluations, and training programs.

#### 5.3.2 Systems of Internal Control

EQ MIC will implement systems of internal controls that are appropriate for the size and complexity of the specific process, and EQ MIC in general.

#### 5.3.3 Review

The internal control system will be reviewed periodically to ensure that it addresses changing business objectives, organizational structure, strategies and regulatory requirements, recognizing the need for accuracy, efficiency, effectiveness, consistency and integration within operational processes and practices.

Senior management will monitor its internal controls by supervising operations objectives and ensuring that it is in compliance with governing legislation. This may include review of financial, regulatory and operational reports, review of policy and procedural compliance, regular internal audit validation of the internal control system, and identification and correction of significant weaknesses.

### 5.4. Code of Conduct

#### 5.4.1 Code of Conduct Statement

Employees are expected not to have any relationships, activities, or personal financial interests that might possibly impair or affect their judgment or influence their decisions concerning EQ MIC'S business. Particular attention will be paid to ensuring the Directors, senior management, and other officers understand the potential application of the related party transaction provisions to certain investments and family members.

The code of conduct will be made available to employees.

### 5.5. Assessment of Responsible Persons

#### 5.5.1 Responsible Persons

EQ MIC will maintain an inventory of Responsible Persons. Responsible Person is defined as:

- A director of the Board
- A senior officer
- Any other officer who the Board determines to play a significant role in the management of EQ MIC

#### 5.5.2 Assessment

Senior management will conduct Responsible Persons assessments in order to determine whether or not the Responsible Person possesses the suitability and integrity to properly perform the duties of the position.

Senior management will determine the criteria for which verifications of information will be conducted on a case-by-case basis based on the Responsible Person's history and circumstances.

## **5.6. Related Party Transactions/Conflict of Interest**

### **5.6.1 Potential Related Parties Disclosure**

Directors and senior management will disclose relationships that they believe may result in the determination that they, or the person they are identifying, is a related party of EQ MIC. He or she will disclose in writing or by requesting to have it entered in the minutes of a meeting of directors, the nature and extent of any interest they have in a material contract or material transaction with EQ MIC, whether entered into or proposed, if any of the following apply:

1. He/she is a party to the contract or transaction
2. He/she is a director or officer of a party to the contract or transaction or a person acting in a similar capacity
3. He/she has a material interest in a party to the contract or transaction

### **5.6.2 Related Party Listing**

Senior management will maintain a current listing of:

1. persons and entities which are believed to be related parties of EQ MIC
2. agreements currently in place between EQ MIC and related parties

### **5.6.3 Transaction Assessment**

EQ MIC may enter transactions with a related party of EQ MIC when the value of the transaction is determined to be nominal or immaterial.

When assessing whether the value of a transaction is immaterial or nominal to EQ MIC, EQ MIC will assess the transaction as if it had been, or would be, carried out on market terms and conditions.

Senior management will determine which proposed transactions are related party transactions and will review them before they are entered into by EQ MIC. If there is reason to believe that another party to a transaction is a related party of EQ MIC, EQ MIC will take all reasonable steps to obtain from such other party full disclosure, in writing, of any interest, direct or indirect, that would make the other party a related party of EQ MIC.

### **5.6.4 Exceptions**

Exceptions must be documented. People requesting an exception must submit a request with the following information:

- Proposed start and end date
- Business justification
- Risk analysis
- Compensating controls
- Remedial action plan



## 5.7. Assessment and Universe Management

EQ MIC will define a 'universe' of testable or assessment entities. These entities are groups of processes or controls that are audited and/or tested by compliance during an assessment. They will also be used to define aggregated processes for items like business continuity management and outsourcing reviews.

## 6. Reporting

### 6.1. Reporting

EQ MIC will produce timely and accurate reporting as follows.

<i>Report</i>	<i>Preparer</i>	<i>Audience</i>	<i>Frequency</i>	<i>Description</i>
Related party transactions	Senior management	Conduct Review Committee	Next Conduct Review Committee meeting	Related party transactions and summarizing determinations on conflict of interest
Related party certification	Senior management	Board	Annually	Certification that the listing of related party transactions is complete and accurate
Internal Control				See all other policies for details

## 7. Record Retention

Documents, forms, reports and other information will be managed and retained according to the record retention schedule.