

iA FINANCIAL CORPORATION INC. and INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

# **GOVERNANCE FRAMEWORK**

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# 1. Introduction

## A. Scope

This framework applies to iA Financial Corporation Inc. (hereinafter “**iA Financial Corporation**” or the “**Corporation**”) and Industrial Alliance Insurance and Financial Services Inc. (hereinafter “**iA Insurance**” or the “**Corporation**”, and collectively with iA Financial Corporation: the “**Corporations**”).

For the purposes of this governance framework, “**iA Financial Group**” refers to iA Financial Corporation and its subsidiaries.

## B. Corporation Profiles

**iA Financial Corporation** is a stock corporation constituted under the *Business Corporations Act* (Quebec) and is listed on the Toronto Stock Exchange (“**TSX**”) under the ticker symbol “**IAG**”. As a reporting issuer, iA Financial Corporation must comply with a number of laws and regulations including, but not limited to, laws and regulations from Canadian Securities Administrators regarding governance such as *National Instrument 58-101 Disclosure of Corporate Governance Practices*, *National Instrument 52-110 Audit Committees* and *National Policy 58-201 Corporate Governance Guidelines* (hereinafter the “**Canadian Governance Standards**”).

**iA Insurance** is a life and health insurance and financial services corporation governed by the *Insurers Act* (Quebec) whose sole common shareholder is iA Financial Corporation. iA Insurance is also listed on the TSX where its issued and outstanding preferred shares are traded under the ticker symbol “**IAF**”. As a reporting issuer and life and health insurer, iA Insurance must comply with a number of laws and regulations including, but not limited to, in matters of governance, the *Insurers Act* (Quebec), the Canadian Governance Standards and the *Governance Guideline* of the Autorité des marchés financiers (“**AMF**”).

## C. Objectives

The objective of this governance framework (the “**Framework**” or the “**Governance Framework**”) is to describe the governance structure and the main strategies and policies in place to ensure sound and prudent governance of the Corporation, for the benefit of the Corporation and its stakeholders. The Governance Framework of iA Financial Corporation and of iA Insurance is very similar, subject to adjustments required by the applicable regulatory frameworks.

## D. Updates and Approvals

The Framework is reviewed and revised annually. Any changes such as additions, deletions, updates or modifications to the policies, charters, job descriptions or governance structure approved by the Board may be incorporated into this Governance Framework from time to time without further Board approval in order to ensure that this Governance Framework concurrently reflects the governance implemented by the Corporation. Any other material changes; however, must be approved by the Board.

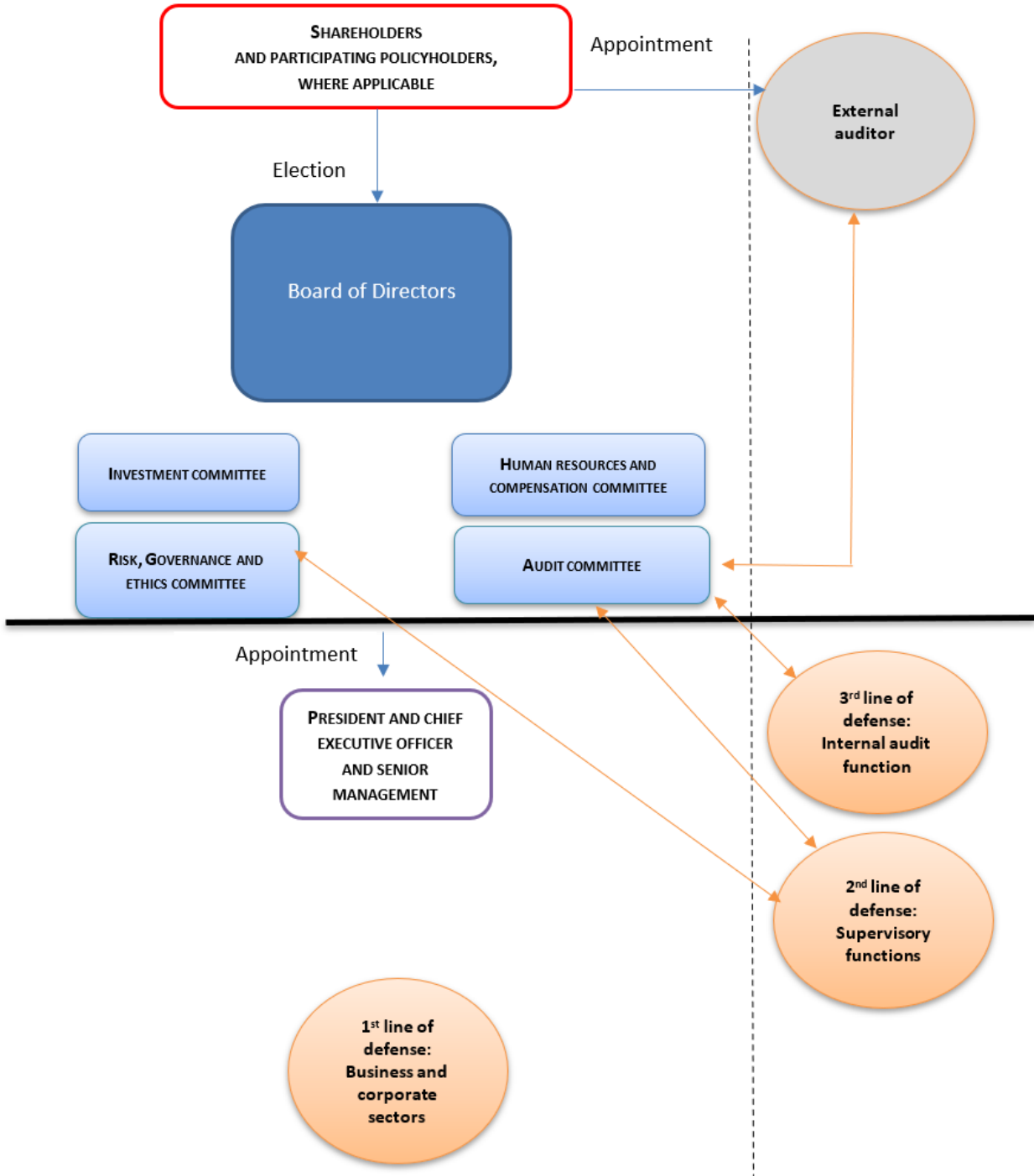
## 2. Governance Structure

### 2.1 Mission and Culture

The Corporation adheres to a culture of integrity and promotes ethical organizational behaviour, which is the basis of the governance structure illustrated below.

This governance structure supports iA Financial Group's purpose, which is to enable its clients to be confident and secure about their future. It also supports iA Financial Group's mission to ensure the financial wellbeing of clients by offering them personal insurance coverage and investment solutions to help them achieve their personal goals. Lastly, it enables iA Financial Group's ambition to be the financial group that best meets client expectations, in partnership with its distributors.

The governance structure illustrated below represents the relationship between the Board of Directors (the "**Board**"), senior management, shareholders, and other stakeholders. It is through this structure that the Corporation establishes its strategy and determines its objectives and the means to achieve them, all while monitoring risks and opportunities to protect the interests of the Corporation and its stakeholders.



Approved by the Board of Directors on November 9, 2022 on the recommendation of the Risk, Governance and Ethics Committee (updated in compliance with section 1. D. as of February 14, 2023)

## 2.2 Board of Directors

The Board has delegated certain responsibilities to its committees and to senior management. It has established written charters or position descriptions for the Board, each Board committee, the Chair of the Board, the Chair of each committee, and the President and Chief Executive Officer. These documents are available on the Corporation's website at ia.ca or summarized in its information circular for the solicitation of proxies (the "**Circular**").

### **Board of Directors Charter**

The Board is responsible for independently supervising the strategic planning and internal affairs of the Corporation. Its role is based on two fundamental functions: decision-making and oversight. The decision-making function comprises the formulation, in conjunction with senior management, of corporate culture, strategic objectives and risk appetite as well as the adoption of fundamental policies and approval of key business decisions. The oversight function comprises the review of executive decisions and management's conduct of business, of the adequacy of internal systems and controls, and of the implementation of policies and corrective measures, as appropriate. It also includes providing sound advice and guidance to senior management.

The Board may fulfill its responsibilities either directly or through a committee.

### **Position Description for the Chair of the Board**

The Board has adopted a position description for the Chair of the Board that sets out the expectations for and responsibilities of the Chair. In this role, the Chair provides leadership and directs the work of the Board, which is responsible for independently supervising the strategic planning and management of the Corporation's business operations and internal affairs.

The Chair interacts with the Corporation's various stakeholders, i.e., all directors, including committee chairs, management, shareholders and other stakeholders. The Chair leads all Board meetings, including in-camera sessions, and annual shareholder meetings. The Chair is an independent director.

## 2.3 Board Committees

### **Audit Committee Charter**

The Audit Committee supports the Board in its responsibilities regarding the Corporation's financial disclosure and related information sent to Shareholders and other stakeholders, the internal control environment, the Head of internal audit, the external auditor, and the Corporation's Chief Actuary and Chief Financial Officer. It also monitors the progress of major investment projects within iA Financial Group and receives reports on information technology operations and related programs. For iA Insurance, this also includes the oversight of reinsurance strategy, actuarial reserves and underwriting standards. The committee is composed entirely of independent directors.

## **Risk, Governance and Ethics Committee Charter**

The Risk, Governance and Ethics Committee supports the Board in its responsibilities regarding the Corporation's governance and oversees that it is linked to the Corporation's strategic directions, based on a systems approach and an ethical, transparent and accountable corporate culture that is consistent with the purpose, values and long-term interests of the Corporation and its stakeholders. It also supports the Board in matters of ethics, risk management oversight and responsibilities related to the Chief Risk Officer and the Chief Compliance Officer, including oversight of specific information technology, business continuity, privacy and anti-financial crime programs.

The committee has responsibilities with respect to frameworks and policies relating to governance, risk management and compliance, sustainable development, composition and renewal of the Board, evaluation of the effectiveness of the Board, its committees and their members, and director training and compensation. The committee is composed entirely of independent directors.

## **Human Resources and Compensation Committee Charter**

The Human Resources and Compensation Committee supports the Board in its responsibilities regarding appointments, compensation, assessment, succession, resource development, employee experience and oversight of pension plans and human resources policies and programs within the Corporation, in accordance with its strategic directions. The committee also supports the Board in promoting sound governance and risk management related to human resources. The committee is composed entirely of independent directors.

## **Investment Committee Charter**

The Investment Committee supports the Board in its responsibilities for and the oversight of the Corporation's investment management, compliance and risk management. Its mandate is to approve investment policies, participate in the review, approval and supervision of the Corporation's investment activities, supervise the management of risks inherent to investment management, and monitor the investment strategies. The committee is composed entirely of independent directors.

## **Position Description for Committee Chairs**

The chairs of Board committees are responsible for overseeing and effectively running their respective committees. They must ensure that their committee performs the tasks described in the committee charter and carries on the other responsibilities that the Board may assign. The committee chairs are independent directors appointed by the Board on the recommendation of the Risk, Governance and Ethics Committee in collaboration with the Chair of the Board.

## 2.4 President and Chief Executive Officer

### Position Description for the President and Chief Executive Officer

The President and Chief Executive Officer is appointed by, reports to and is a member of the Board. Per mandate, the President and Chief Executive Officer is responsible for the general management of the Corporation and its subsidiaries within the limits of the power granted by the Board and in accordance with the applicable laws and regulations. This role includes defining the Corporation's strategic direction and driving overall performance in the interest of shareholders, clients, employees and other stakeholders.

## 2.5 Three Lines of Defense and External Auditor

To fulfill its responsibilities, the Board relies on the proven "three lines of defense" governance model.

### First Line of Defense

The first line of defense is the owners of the risks. It includes the President and Chief Executive Officer, senior management responsible for the business lines and corporate sectors, and operations management. They are responsible for selecting and carrying out the business strategies in accordance with the Corporation's risk appetite and tolerance, while ensuring that a balance is reached between risk and return. They are also responsible for ensuring the application of the policies and procedures and for identifying, communicating, and managing the risks that threaten the achievement of the objectives established in their respective areas of responsibility. They are responsible for the day-to-day management of risks.

### Second Line of Defense

The supervisory functions created by senior management make up the second line of defense which is responsible for coordinating the application and enforcement of the enterprise risk management framework within the Corporation and ensuring that appropriate policies and procedures are defined and effectively implemented by the first line of defense. These include the Finance and Actuarial function and Risk Management and Compliance function. The Risk Management and Compliance function provides objective and impartial oversight of the risks and controls implemented by the first line of defense.

They contribute to the ongoing development and/or monitoring of operational controls and are responsible for keeping the Board regularly informed about the Corporation's main risks and the steps taken to manage them.

### Third Line of Defense

Independent of the first two lines of defense, internal audit is the Corporation's third line of defense. Following a risk-based approach, it is responsible for providing the Board and senior management with assurance as to the effectiveness of the governance, risk management and internal control processes and their adequacy with respect to the Corporation's activities. It recommends improvements to the people involved in these processes and reports on the situation to the Board's Audit Committee.



## **Head of Internal Audit**

The internal auditor is appointed by the Board. The internal auditor is functionally attached to the Board's Audit Committee and may communicate freely with the members of this committee, including its chair. He or she conducts his or her work objectively and independently in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. For iA Insurance, the Audit Committee's oversight of this role is guided by the *Policy Regarding the Head of Internal Audit* and the AMF's *Governance Guideline*.

## **External Auditor**

The external auditor is appointed by the shareholders. It is responsible for providing the Board and senior management with assurance that the financial information disclosed is reliable and that the governance, risk management and internal control processes are effective and adequate for the Corporation's operations.

# **3. Key governance policies and practices**

## **3.1 Board Governance**

### **a. Composition and Qualifications**

#### **Board of Directors Composition and Renewal Policy**

The *Board of Directors Composition and Renewal Policy* determines the rules applicable to the Board's composition, the guidelines governing its renewal and the key elements in implementing these guidelines. The main principle of this policy is the ongoing renewal of the talent and competencies of the Board, its committees and its members, taking into account the Corporation's strategic priorities and changes in the business environment. It endorses the principle that a director should not serve beyond a period of 15 years, in order to ensure the continuous renewal of the Board's skills.

#### **Policy Regarding the Majority Election of Directors**

The goal of the *Policy Regarding the Majority Election of Directors* is to maintain the confidence and support of shareholders in the Corporation's director election process. It provides that a nominee for election as a director for whom the number of votes withheld or abstentions exceeds the number of votes cast in favour is required to submit his or her resignation to the Board. The Board, excluding the resigning director, must decide whether to accept or refuse the director's resignation. Barring exceptional circumstances, the Board accepts the resignation.

#### **Process for Evaluating the Performance of the Board, Committees, Board and Committee Chairs, and Directors**

The Risk, Governance and Ethics Committee has implemented a process to evaluate the performance of the Board, the committees, the Chair of the Board, the chairs of each committee and each director, including a peer-evaluation. The Risk, Governance and Ethics Committee ensures that such an evaluation is carried out periodically in order to foster continuous improvement of the performance of the Board and its committees.

### **Directors' On-boarding and Training Policy**

The purpose of the *Directors' On-boarding and Training Policy* is to provide direction for new directors in order to inform them about the Corporation's activities, its business strategies and other relevant topics. It also provides measures to encourage directors to pursue continuing education.

### **Integrity and Competency Criteria Assessment**

The Corporation considers that the integrity and competency of the members of the Board of Directors, senior management and, where applicable, the persons responsible for the supervisory functions (hereinafter the "Members of the Decision-making Bodies") are intrinsic elements of sound governance. The integrity and competency criteria assessment processes therefore aim to ensure that the Members of the Decision-making Bodies possess the attributes required to carry out their functions and to structure the practices surrounding the assessment of integrity and competency criteria for the persons concerned. The Members of the Decision-making Bodies and, where applicable, any potential candidate for such a position, are subject to such assessments. For iA Insurance, this practice is governed by the AMF's *Governance Guideline* on integrity and competency criteria and its *Integrity and Competency Criteria Assessment Policy*.

## **b. Independence and Diversity**

### **Board Independence Policy**

The *Board Independence Policy* defines the criteria for assessing the independence of the Corporation's directors. It establishes the proportion of independent directors required within the Board and its committees, as well as the specific independence criteria that apply in order to sit on certain committees. It also states the measures that have been put in place to monitor and ensure the independence of the Board and its directors.

The policy aims to achieve the following objectives: (i) clarify the situations in which a director cannot be considered independent, (ii) ensure that the Board and its committees have the independence required to perform effectively their monitoring and decision-making functions, and (iii) establish an ongoing monitoring process to assess and ensure the independence of directors. The policy also calls for in camera sessions to be held by the Board after every meeting. No members of management are to be present during these sessions.

### **Board Diversity Policy**

To confirm its commitment to encouraging diversity on the Board, the Corporation adopted the *Board Diversity Policy*. According to this policy, when seeking and selecting candidates for director positions, the Risk, Governance and Ethics Committee and the Board recruit the best possible candidates, while aiming

to improve diversity based on established objectives. The notion of diversity includes not only gender diversity, but also diversity regarding ethnic origin, geographic origin, cultural identity, sexual orientation and age.

### **c. Director Compensation and Share Ownership**

#### **Director Compensation**

Directors' compensation is analysed annually by the Risk, Governance and Ethics Committee, which reviews the adequacy and the form of directors' compensation and makes recommendations in this respect to the Board to ensure that such compensation realistically reflects the responsibilities of the directors and that it is competitive and fair, without compromising directors' independence. The President and Chief Executive Officer, who is also a member of the Board, receives no compensation for this role.

#### **Director Share Ownership Policy**

The *Director Share Ownership Policy* requires non-executive directors to hold common shares or deferred share units ("DSUs") for an amount equivalent to at least three times the annual retainer received as a director. Directors have a period of five years from the date of their appointment as a director to comply with this policy. When their annual retainer is increased, directors have a period of five years from the date of the increase to comply with the additional requirement resulting from the increase. The Risk, Governance and Ethics Committee is responsible for monitoring the application of this policy.

## **3.2 Executive Compensation**

The Corporation's approach to executive compensation is firmly aligned with performance and competitive imperatives. It must be competitive, weighted and fair and must support the Corporation's vision and strategic priorities.

#### **Advisory Vote on the Compensation of Named Executive Officers**

Since the 2010 annual meeting, the Board voluntarily has asked the common shareholders to participate in an advisory vote on executive compensation. Although the vote is not binding on the Board, the Corporation takes into account the results of the vote and any comments received when evaluating the executive compensation program. The results of the vote are published in the Corporation's Circular and on SEDAR after the annual meeting.

#### **Executive Share Ownership Policy**

The *Executive Share Ownership Policy* aims to promote alignment of the interests of executives with the interests of the Corporation's shareholders and to mitigate inappropriate risk-taking by the former. The policy requires certain officers to hold common shares or DSUs equal to a multiple of their annual base salary. For the President and Chief Executive Officer, this value is three times the annual base salary. For an executive vice-president or equivalent position, this value is two times the annual base salary. For a senior vice-president or equivalent position, this value is one time the annual base salary.

Each new officer has five years from the date of his or her hiring or appointment to meet this requirement.

### **Variable Compensation Recoupment (Clawback) Policy**

The *Variable Compensation Recoupment (Clawback) Policy* aims to promote a culture of integrity, reduce the risks associated with variable compensation and sanction gross negligence, wilful misconduct or fraud committed by an executive officer against the Corporation. It allows the Board, at its sole discretion, to require an executive officer guilty of gross negligence, wilful misconduct or fraud to reimburse or cancel a part or all of the variable compensation paid, vested or awarded to him or her in the past 12 months.

## **3.3 Ethics, Disclosure and Transparency**

### **Code of Business Conduct**

This stringent code applies particularly to employees, officers and directors of iA Financial Group. Its main objective is to emphasize the high standards of behaviour expected and required of them and the importance of acting ethically, honestly and with integrity at all times. The code is available on the Corporation's website and on SEDAR at [sedar.com](http://sedar.com).

iA Financial Group has also implemented a code of conduct for its suppliers. This code establishes iA Financial Group's principles and expectations with respect to the way in which the suppliers of goods and services and their representatives and employees must do business and deal with the Corporation. Suppliers who wish to establish a business relationship with iA Financial Group must make sure to always behave in an ethical manner and with integrity and honesty as part of this relationship.

### **Integrity Hotline**

In a continued effort to adhere to best practices in ethics and governance, a reporting mechanism known as the "Integrity Hotline" is in place. The Integrity Hotline is a reporting tool that allows employees and suppliers of iA Financial Group to confidentially and anonymously report any questionable behaviour, behaviour that may seem illegal or fraudulent or against business ethics or any breach of trust of the *Code of Business Conduct* or of the *Code of conduct intended for suppliers*. Reporting is done through an independent third party and can be carried out in an anonymous and confidential manner.

### **Disclosure Policy**

Communications of the Corporation must be timely, factual, accurate and balanced. They also must be broadly disseminated, in compliance with relevant legal and regulatory requirements. The *Disclosure Policy* applies to all employees, directors and all those authorized to speak on behalf of the Corporation. A disclosure committee is responsible for ensuring that all securities regulatory disclosure requirements are met and for overseeing the Corporation's disclosure practices.

### **Securities Trading Policy**

The *iA Financial Group Securities Trading Policy* establishes, among other things, certain rules regarding transactions and trades in the Corporation's securities by insiders and employees of iA Financial Group. It

supports the principle that every person who invests in the Corporation's securities must have equal access to information that could influence his or her investment decisions.

### **Financial Crime Risk Management Corporate Policy**

This policy establishes the basis of the risk management program regarding financial crime within iA Financial Group. It deals with, among other things, the management of corruption and fraud risks. It applies to all iA Financial Group's activities in all jurisdiction in which it operates, and to all employees, officers and directors. Risk management regarding financial crime is a continual process supported by the implementation of measures for prevention, detection and monitoring, and by effective governance.

### **External Auditor Independence Policy**

The purpose of this policy is to ensure the independence of the Corporation's external auditor, in particular by establishing guidelines regarding the independence of the external auditor, the awarding of contracts for non-audit services and the recruitment of partners or employees of the external auditor within iA Financial Group.

### **Engagement with Shareholders and Other Stakeholders**

The Board and management strongly promote interaction with shareholders and stakeholders by various means and believe that it is important to have direct, regular and constructive engagement with them in order to allow and encourage an open dialogue and an exchange of ideas.

Senior management and the Board have established mechanisms for shareholders and other stakeholders to communicate with them. These mechanisms are explained on the Corporation's website at ia.ca and in its information circular.

In addition, the "Investor Relations" section of the Corporation's website provides the public with a wealth of information, including financial results and information on dividends and credit ratings as well as conferences and presentations.

## **3.4 Sustainable Development**

The Corporation's ambition is to contribute to the sustainable growth and wellbeing of its clients, employees, partners, investors and communities.

### **Sustainable Development Policy**

Sustainable development is a mode of development that aims to meet the needs of the present without compromising the ability of future generations to meet their own needs. By adopting this policy, the Corporation has clearly expressed iA Financial Group's commitment to creating economic and social value and its desire to share its sustainable development objectives and guidelines with its various stakeholders.

In particular, the policy aims to establish the reference framework and objectives for sustainable development based on the model of the United Nations' sustainable development goals. Indeed, iA Financial Group contributes to five United Nations goals directly aligned with its purpose and mission:

*Approved by the Board of Directors on November 9, 2022 on the recommendation of the Risk, Governance and Ethics Committee  
(updated in compliance with section 1. D. as of February 14, 2023)*

good health and wellbeing, decent work and economic growth, reduced inequalities within and among countries, sustainable cities and communities, and action on climate change.

In addition, the *Sustainable Development Policy* aims to put forward the eight guidelines that frame the thinking, strategy and actions of iA Financial Group, which are: (i) ensure the financial wellbeing of clients, (ii) effectively manage risks, (iii) follow high standards of governance, (iv) actively contribute to communities, (v) manage environmental impact, (vi) create a rewarding work environment centred around diversity and inclusion, (vii) practice responsible sourcing and (viii) incorporate ESG factors in investment processes.

Furthermore, this policy specifies the sustainable development objectives and best practices to be followed, while taking into account the activities and context specific to iA Financial Group.

In order to communicate iA Financial Group's sustainable development orientations and achievements to investors and stakeholders, a sustainability report is published every year.