

# Enterprise Risk Management Framework

*Last Updated: March 30, 2026*

## **TABLE OF CONTENTS**

I. Overview .....	4
II. Risk Management Philosophy .....	5
III. General Risk Management Activities.....	6
Board of Directors Risk Management Process .....	6
Internal Risk Management Process .....	8
IV. Types of Risk.....	10
Category A: Strategic Risk .....	11
Governance Risk.....	11
Business Strategy Risk .....	11
Reputational risk .....	12
Communication Risk.....	12
Category B: Investment Risk .....	13
Investment Strategy Advice Risk.....	13
Active Management Risk.....	14
Benchmark Risk.....	14
Credit Risk.....	14
Valuation Risk.....	14
Liquidity Risk.....	14
Category C: Plan Administration Risk .....	15
Member Enrollment and Data Risk .....	15
Plan Data Accuracy for Actuary Risk.....	15
Benefit Calculations Risk.....	15
Plan Transactions Risk.....	16
Client Board and Committee Support Risk.....	16
Plan Member Communications Risk.....	16
Category D: Operational Risk.....	16
Corporate Transactions Risk.....	17
Investment Transactions Risk.....	17
Financial Reporting Risk .....	17
Regulatory Risk.....	17

---

Legal and Tax Risk.....	18
Fraud risk.....	18
Physical Security Risk.....	18
Category E: Human Resources Risk .....	19
Hiring, Retention, and Terminations Risk.....	19
Succession Planning Risk.....	19
Compensation Risk.....	19
Category F: Technology Risk .....	19
IT Environment / Cybersecurity Risk .....	20
Information Management, Records Retention, and Privacy Risk.....	20
Systems, Applications, and Databases Risk .....	20
Business Continuity Planning and Disaster Recovery Risk .....	20
V. Conclusion .....	21
Appendix A: Risk Governance Structure.....	22

## I. Overview

Risk can be defined as the potential for loss caused by an event or series of events that can adversely affect the achievement of a company's business objectives.

Vestcor is exposed to risks at both the corporate entities' level and on behalf of its clients in providing investment and administration services.

Vestcor's winning aspiration is "The most valuable and reliable partner in shaping and delivering financial security and confidence for our clients and their beneficiaries".

To realize our winning aspiration, our business processes, whether they are strategically focused, investment-related, or operational in nature, must continually balance risk and return.

Our Enterprise Risk Management Framework has been put in place to integrate strong corporate oversight with a series of well-defined, independent risk management systems and processes. Our risk management process involves the participation of the Vestcor Board, Management, and external service providers. An outline of the risk governance structure is provided in Appendix A.

A number of Vestcor's clients have also established their own Enterprise Risk Management Frameworks, which we take into consideration in our risk management processes.

The following document presents our philosophy and approach to management of risk by identifying:

- The types of risks we face in our investment and benefits administration operations.
- Our risk appetite, specifically acceptable risks and unacceptable risks.
- Which parties are accountable for monitoring each risk type, while also outlining the means and timing through which we seek to measure and manage these risks.

We believe that these risk management processes will significantly contribute to maximizing the long-term investment returns and benefits administration efficiency for our clients within the confines of acceptable levels of risk.

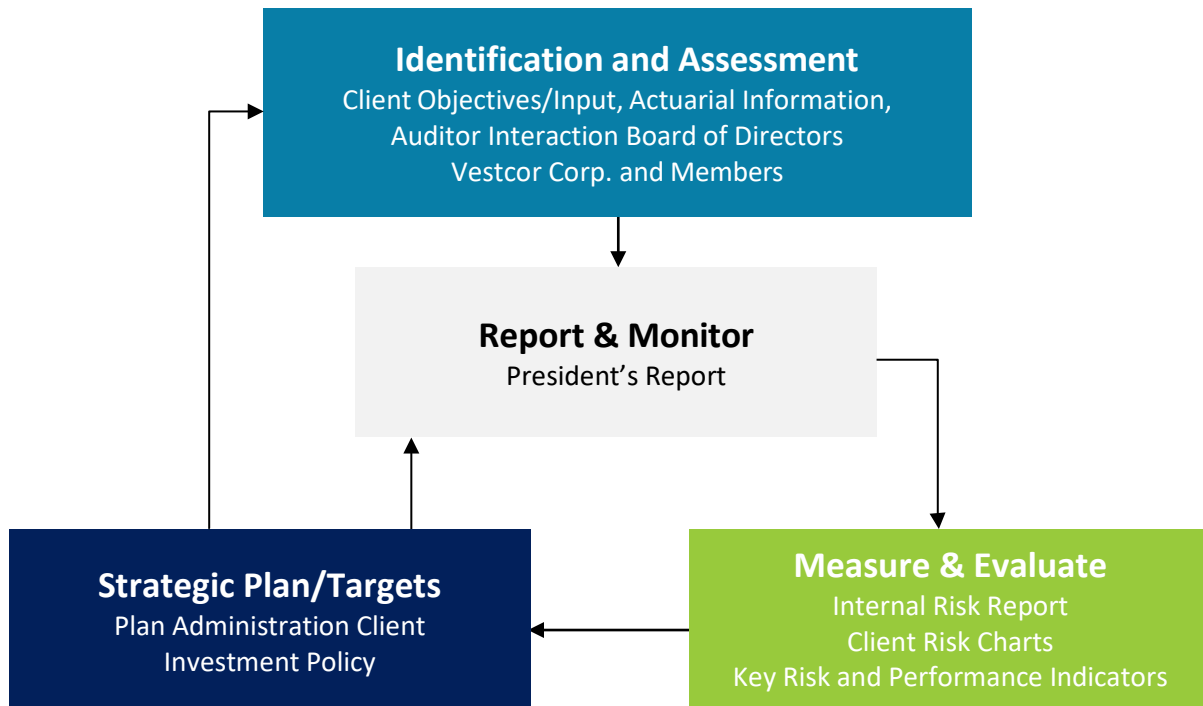
## II. Risk Management Philosophy

Risk management at Vestcor is based on several principles and assumptions designed to ensure that we take a “proactive and systematic” approach to managing risk. Specifically, we believe that:

- i. Risk management is an input into the business planning process.
- ii. Establishing a risk management framework is a prerequisite to meaningful discussions on risk by fiduciaries.
- iii. Due to its detailed understanding of the operations of Vestcor, Management should play a leading role in identifying the primary risks we face.
- iv. Risk should be defined broadly enough to encompass all major aspects of Vestcor, including such areas as investments, plan and benefits administration, operations, human resources, and technology.
- v. No risk framework can be expected to identify or address every conceivable risk. It is important therefore that, once adopted, the risk management framework be continually refined and updated to reflect new risks once they are identified.
- vi. At any point in time, the risks that can be identified will exceed our capacity to address them. Resources must therefore be focused on those risks that are deemed to be the highest.

### III. General Risk Management Activities

In general, risk management is a circular process, where potential risks are identified, methods to measure and manage these risks are designed and implemented, and systems are put in place to monitor the effectiveness of the original risk management systems, thus allowing for the identification of new potential risks.



We manage risk through a number of processes:

- Investment risk is measured and managed within various systems and committees from both a policy perspective as well as an active management / relative return perspective
- Pension and benefit administration risk and other operational risks are managed through the activities of various committees and policies and by well-designed internal control processes

#### ***Board of Directors Risk Management Process***

The Vestcor Board of Directors is responsible for setting the overall risk appetite, understanding the principal risks facing the business and the systems that have been put in place to mitigate and manage those risks.

While each Board Committee supports the Board's risk management oversight in areas related to their specific mandate, the Audit Committee is specifically assigned the task of assisting the Board in its oversight of risk management.

Our risk management process uses a general framework through which we carry out our risk management activities, and is intended to:

- i. Ensure that there is a proactive and systematic approach to identifying and managing the risks inherent in our operations and environment.
- ii. Ensure that there is agreement between Vestcor (Board, Senior Management, and staff) and our clients and shareholder as to the risk management priorities at any point in time.
- iii. Ensure appropriate involvement by the Board and Senior Management in setting the above priorities.

The role of the Board is to provide input into, and ultimately approve, the risk management priorities identified, and to ensure that there are a business plan and a budget in place for addressing those risk priorities.

Management reports to the Board quarterly through the President's Report, the Investments Report, and the Administration Services Report. These reports contain a summary of all business activities conducted in the quarter including key performance and risk indicators.

The role of the Audit Committee is to review this Enterprise Risk Management Framework annually and consider priorities and risk appetite regularly. The Audit Committee is assisted in this responsibility by direct reporting lines to both the Director Risk Management and Internal Auditor, and through a quarterly report from the Director Risk Management and Internal Audit Report.

An overall risk review is conducted quarterly through review of a risk report at each Audit Committee meeting. This risk report, prepared by Management considering input from its various risk management committees (see below), seeks to identify emerging and changing risks as well as the risk mitigation activities implemented. Risk prioritization is assigned (high, medium, or low) to communicate Management's assessment of the urgency of risk mitigation activities. The assigned risk prioritizations are compared against the Board's risk appetite.

In the event that risk prioritization exceeds the Board's risk appetite after an established level of risk tolerance is considered, the Director Risk Management has the ultimate responsibility to escalate the case of exceedance with Senior Management and the Enterprise Risk Management Council (ERMC). Management in the appropriate area is then responsible for determining and initiating appropriate risk mitigation activities. The Director Risk Management will highlight the case of exceedance with the Chair of the Audit Committee when the exceedance arises as well as through the quarterly report from the Director Risk Management to the Audit Committee, which will then be included in the President's Report to the Board. This report will also include any risk mitigation activities that are being taken.

In the event that risk prioritization becomes significant while still within the level of risk tolerance, a similar process should be followed.

In the exceptional case where Management desires to temporarily operate outside of the risk appetite after risk tolerance is considered, the Board's approval would be required.

### **Internal Risk Management Process**

We use a number of internal cross-functional committees to focus on risk management, including the:

- Investment Risk Management Committee (IRMC)
- Trade Management Oversight Committee (TMOC)
- Information Technology Risk Management Committee (ITRMC)
- Business Continuity Plan Committee (BCPC)
- Valuation Committee
- Responsible Investing Committee (RIC)
- Privacy Committee
- Occupational Health & Safety Committee (OHSC)

We have also created an Enterprise Risk Management Council (ERMC) that seeks to provide another forum to oversee all corporate risks under this framework, and to provide advice to the President & CEO with respect to their Board reporting activities. ERMC considers and confirms the risk prioritization proposed in the quarterly risk matrix.

Each of the above committees is comprised of a cross-functional membership, including Management and non-Management positions, providing a rich opportunity for sharing perspectives and insights.

The **IRMC** monitors investment risk measures, considers risks associated with new investment strategies and products, and proposes procedures to measure and monitor investment risk positions, subject to the approval of the Chief Investment Officer and within the parameters established by our clients and the Board.

The **TMOC** is responsible for monitoring our trading policies and practices, including broker selection, to ensure we receive the best trade execution possible with well-managed counterparty risk. It also reports on proposed market and regulatory developments that may impact future trading practices.

The **ITRMC** considers risks arising from our use of information technology and future direction of technology within each business unit. It reviews access controls, findings from threat risk assessments related to proposed new software, results of annual network penetration tests, and monitors our incident response plan.

The **BCPC** is responsible for developing and implementing the Business Continuity Plan, including disaster recovery. BCPC meets semi-annually to consider appropriate responses to a wide variety of potential business interruptions and uses passive and active tests to practice response protocols thereby providing an opportunity for continuous improvement.

The **Valuation Committee** is primarily responsible for reviewing all private opportunity investments and spread-based fixed income securities for purposes of approving a final valuation to be used for external financial reporting purposes. The committee may also review the valuation of other public and non-publicly traded securities, as required.

The **RIC** reviews the firm's activities related to the umbrella of responsible investing, including proxy voting and active ownership activities.

The **Privacy Committee** coordinates and provides oversight of Vestcor's privacy-related activities related to client / plan member personal information and personal information obtained during prospective or completed business transactions ("Covered Personal Information"), with the objective of ensuring Vestcor's handling of personal information is consistent with best practices and applicable privacy legislation.

Finally, the **OHSC** is responsible for considering physical environment risks to the continued health and safety of our staff. The OHSC conducts regular physical site inspections to ensure ongoing safety in the workplace.

## IV. Types of Risk

We have identified six main categories of risk related to our business activities. Within these sections we have also subdivided a number of specific risk areas in which we have assigned specific monitoring and control responsibilities and set out the specific measures used to achieve them. The following chart summarizes each of the six main risk categories and the respective specific risk elements.

<b>A. STRATEGIC RISK</b>	<b>B. INVESTMENT RISK</b>	<b>C. PLAN ADMINISTRATION RISK</b>
Governance	Investment Strategy Advice	Member Enrollment and Data
Business Strategy	Active Management	Plan Data Accuracy for Actuary
Reputational	Benchmark	Benefit Calculations
Communications	Credit	Plan Transactions
	Valuation	Client Board and Committee Support
	Liquidity	Plan Member Communications

<b>D. OPERATIONAL RISK</b>	<b>E. HUMAN RESOURCES RISK</b>	<b>F. TECHNOLOGY RISK</b>
Corporate Transactions	Hiring, Retention, and Termination	IT Environment / Cybersecurity
Investment Transactions	Succession Planning	Information Management, Records Retention, and Privacy
Financial Reporting	Compensation	Systems, Applications, and Databases
Regulatory		Business Continuity Planning and Disaster Recovery
Legal and Tax		
Fraud		
Physical Security		

**Category A: Strategic Risk**

Strategic risk is the risk of not achieving the objects and purposes of Vestcor as outlined in the *Vestcor Act*, within the parameters provided in the legislation.

Vestcor subdivides strategic risk as follows:

***Governance Risk***

This risk comes about through potential improper governance structures (including delegation of authority) between Directors, Senior Management, and staff, leading to improper decision making. Good governance processes that outline key responsibilities and accountabilities are a key part of overall risk management.

***Responsibility***

The *Vestcor Act* and by-laws outline the governance responsibilities of Vestcor.

The Board of Directors has set out Board policies that must be followed, including a Code of Ethics and Business Conduct and Responsible Investment Guidelines.

The Board and each Board committee have terms of reference that outline their respective responsibilities. The Governance Committee of the Board of Directors oversees and coordinates the governance responsibilities of the organization.

Each client has entered into a service level agreement (i.e., Investment Management Agreement and/or Administration Agreement) for services to be provided.

We have also developed an extensive Investment Procedures Manual, Human Resources Manual, and other operational guidelines and processes that outline specific operational responsibilities and authorities. All staff have position descriptions that outline their specific responsibilities.

***Business Strategy Risk***

Business strategy risk is the risk of not developing, executing, or monitoring our business activities to achieve our winning aspiration. Business strategy specifically focuses on our continued pursuit of operational excellence while being mindful of optimal growth opportunities and long-term organizational sustainability.

***Responsibility***

The Board of Directors and Management collaborate in creating a five-year strategic plan for the organization and review it on an annual basis. Supporting strategic plans are also prepared annually for human resources and for information technology.

Management and staff are responsible for keeping abreast of industry developments through media reports, legislative pronouncements, and ongoing client, peer, and

supplier communication to aid in the strategic planning process.

Management develops an annual business plan that is reviewed with the Board of Directors near the inception of each fiscal year. Progress against the plan is reviewed by the Board periodically throughout the year, and in measuring overall performance at year-end.

### ***Reputational risk***

Reputational risk is the risk of damage to our reputation, image, or credibility as a prudent and effective pension services organization due to internal or external factors.

#### *Responsibility*

Reputational risk management is a shared responsibility among the Board, Management, and all employees.

The Board has instituted oversight and audit relationships that provide third party assurance regarding Vestcor's reputation. The Board is assisted in this oversight by the Governance Committee, the Audit Committee, and the oversight and approval of Vestcor's Responsible Investment Guidelines.

### ***Communication Risk***

Communication risk is the risk of not effectively communicating the governance structure, strategic plan, operational activities, and performance of Vestcor to stakeholders. Communications also encompass the quarterly investment and administration reporting that we provide to each of our clients as well as plan member communications on behalf of our clients' governing bodies.

#### *Responsibility*

Under the direction of the Board's Governance Committee, Management is responsible for the development and execution of a Communications Plan.

The Chairperson of the Board and the President are responsible for all official external corporate communication activities.

Management, through its internal Communications Team, is responsible for all client communications with oversight by the Board of Directors.

Each client's governing body is responsible for communication to their stakeholders and members concerning their specific pension or benefits plan.

**Category B: Investment Risk**

Investment risk is the risk that investments are not made in accordance with clients' objectives and do not achieve the long-term return on investments, relative to acceptable risk levels, for the various funds under management.

*Responsibility*

The governing body for each client is responsible for setting their Statement of Investment Policies, while the Vestcor Board of Directors is responsible for ensuring that Vestcor implements the requirements of those Investment Policies. These Statements of Investment Policies set out the benchmark portfolio asset weights, permitted asset weight deviations from the benchmark, performance benchmarks, permissible investments, and performance evaluation metrics.

The Investment Committee assists the Board in fulfilling its obligations by providing a focus on investment operations by overseeing long-term investment strategy, investment activities, investment risk management, investment operations, and product construction.

Management is responsible for developing and managing the underlying investment strategies and programs that deliver achievement of those Statements of Investment Policies while operating within the Responsible Investment Guidelines. These programs are outlined in an Investment Procedures Manual. The Investment Risk Management Committee, made up of representatives from the Risk Management, Investment and Finance, and Administration Teams, review any changes to investment strategies before they are included in the Investment Procedures Manual.

There are significant areas of investment-related risk which are outlined in more detail in the section below:

***Investment Strategy Advice Risk***

Investment strategy advice risk refers to the risk that the recommendations made to clients to achieve their investment objectives may be insufficient to meet the long-term return and risk requirements of that client.

Vestcor may be asked by a client to provide investment strategy advice and/or the client may use external investment consultants. In either case, each client's long-term investment performance requirement is set out in its Statement of Investment Policies. Where appropriate, a client's fund will undergo a periodic external liability valuation to measure its current funding status.

In cases where we provide client advice in this area, we periodically undertake an asset liability study and provide investment policy advice to identify the most efficient mix of financial assets that will meet or exceed the client's desired funding objectives with the least amount of risk.

**Active Management Risk**

Active management risk, also known as relative return risk, is the risk that actual investment returns do not meet the pre-specified benchmark portfolio and result in under-performance versus those that would have resulted from passive management.

**Benchmark Risk**

Benchmark risk is the risk that the benchmarks used to evaluate investment performance do not appropriately reflect the underlying portfolio.

Management has established Investment Benchmark Guidelines, approved by the Vestcor Inc. Investment Committee, that outline the Investment Benchmark Selection and Management Guidelines used by Vestcor to execute its fiduciary responsibilities with investment assets. Each client is responsible for establishing benchmarks appropriate for their specific investment objectives; whereas Vestcor is responsible for establishing appropriate benchmarks for each investment strategy it offers through its Vestcor Investment Entities, in accordance with the Investment Benchmark Guidelines. The benchmarks chosen for Vestcor's investment strategies also influence the determination of investment performance targets and performance incentives. Accordingly, they are reviewed and confirmed annually by the Human Resources and Compensation Committee.

**Credit Risk**

Credit risk is defined as the risk that a specific counterparty will not meet its financial obligations as set out in a previously agreed-upon contract. Credit risk arises from numerous activities including the holding of investments in a specific entity that requires a scheduled repayment as well as through entering into derivative transactions with various counterparties (banks or investment dealers). Securities lending programs also present credit risk. Credit risk can manifest itself through changes in the market value of a security or obligation and is generally measured through procedures that attempt to model the probability of default and/or loss.

**Valuation Risk**

Valuation risk is the financial risk that an asset is over- or under-valued such that it is worth more or less than expected when it matures or is sold. The Board of Directors has delegated the responsibility for oversight of risk management associated with financial reporting to its Audit Committee.

**Liquidity Risk**

Illiquid investments (private equity, private real estate, and infrastructure) typically provide an opportunity to excess long-term returns; however, they introduce the risk that an investment position cannot be unwound or offset in the financial markets in a timely fashion to meet funding obligations or without enduring significant losses. An occurrence of this type could lead to us not being able to meet payment obligations as they become due or client withdrawal requests because of an inability to liquidate assets.

**Category C: Plan Administration Risk**

Plan administration risk is the risk that plan administration activities are incomplete, inaccurate, or conducted without proper process. It considers all administration responsibilities including enrollment, member data (and subsequent changes to that data), contributions collected, benefit calculations, and payment of benefits. As administrator, Vestcor also provides support services to our clients' governing bodies including meeting facilitation and record-keeping, coordination of outsourced service providers, and assistance with meeting regulatory reporting requirements.

*Responsibility*

Plan administration, including plan design, is ultimately the responsibility of each plan's governing body.

The Vestcor Board of Directors is responsible for ensuring that there is a properly executed service-level agreement signed with each client that provides for a clear understanding of the extent (including limits) and timing of the administration activities being conducted on behalf of each client. The Board of Directors has delegated responsibility for the oversight of Vestcor's management information systems and systems of internal controls used in its plan administration activities to its Audit Committee.

Management is responsible for ensuring it has the policies, processes, and procedures available to deliver the service commitments that it has agreed to deliver.

***Member Enrollment and Data Risk***

This is the risk that employers have not ensured that all eligible employees are enrolled correctly in a pension or benefit plan leading to missed contributions and misunderstanding of employee benefits or that changes to key plan member information are inaccurate, invalid, or not reported on a timely basis.

***Plan Data Accuracy for Actuary Risk***

This is the risk that inaccurate and/or incomplete plan data are provided to clients' actuaries leading to inaccurate actuarial interpretation and calculation of the plan's status.

***Benefit Calculations Risk***

This is the risk of both manual and automated errors in benefit calculations arising from employee/employer data errors, changes in plan provisions, transfers, or exits to or from other plans.

***Plan Transactions Risk***

This is the risk that employer and employee contributions are not complete or timely and that benefit payments made are unauthorized, inaccurate, or not timely.

***Client Board and Committee Support Risk***

Vestcor provides support such as secretarial, meeting logistics, and facilitation services to certain clients' governing bodies. In providing such services, there is risk that client support activities are incomplete, inaccurate, or misunderstood.

The Governance Committee has been delegated the oversight of risk management associated with Vestcor's Client Board and Committee support activities.

***Plan Member Communications Risk***

Vestcor assists clients with the preparation of plan member communications such as letters, semi-annual newsletters, annual reports, and the organization of presentations for annual general meetings. This presents a risk of errors or misleading statements that are inconsistent with plan provisions.

**Category D: Operational Risk**

Operational risk concerns the risks arising from the loss of effectiveness or efficiency from reliance on internal processes.

***Responsibility***

The Vestcor Corp. (shareholder) Board of Directors engages an independent accounting firm to act as the external auditor of all Vestcor's financial reporting and activities. The Vestcor Inc. Board, through its Audit Committee, assists the shareholder in its decision by assessing the external auditor's work and making a recommendation regarding its (re)appointment.

The Vestcor operating company Board, through its Audit Committee, oversees the internal audit function, including the engagement of another external public accounting firm to provide assistance to the Internal Audit Team.

The Audit Committee of the Board is responsible for overseeing the design and operational effectiveness of Vestcor's system of internal controls and quality of management information systems. The Audit Committee is also responsible for the integrity of Vestcor's financial reporting and disclosure processes, compliance with legal and regulatory requirements, and oversight of Management's fraud risk management program, including annual review of Vestcor's Fraud Risk Management Policy and Management's annual fraud risk assessment.

Management is responsible for ensuring operational efficiency and effectiveness.

We have subdivided operational risk as follows:

***Corporate Transactions Risk***

This is the risk that corporate transactions are inaccurate or incomplete, leading to cash flow irregularities and/or errors in financial reporting.

***Investment Transactions Risk***

This is the risk that inappropriate, unauthorized, inaccurate, or incomplete transactions lead to loss and errors in decision making.

***Financial Reporting Risk***

This is the risk that financial reporting by Vestcor, the Vestcor Investment Entities and/or our clients may be inaccurate or misleading.

***Responsibility***

Each client's governing body, which may include an audit committee, is responsible for the review and approval of financial reporting by that client. Under each client's Master Service Agreement, Vestcor Management is responsible for the preparation of client financial reporting, either in the form of a quarterly expenditure report, quarterly unaudited financial statements, or draft annual financial statements with note disclosures. Annual financial reporting is subject to independent audit.

The Vestcor Board of Directors, through review by its Audit Committee, is responsible for the approval of the financial statements of Vestcor and related entities. Management is responsible for the accuracy and fair presentation of the financial statements for each of the Vestcor entities, and for preparation of supporting working papers for the independent auditor. Management is also responsible for maintaining a system of internal controls and management information systems capable of providing accurate and timely financial information.

***Regulatory Risk***

This is the risk of loss or penalties related to non-compliance with regulations.

Under the *NB Securities Act*, Vestcor is registered as an investment fund manager with respect to the Vestcor Investment Entities. Vestcor also acts as a Portfolio Manager (advisor) with respect to its clients. Vestcor must follow Canadian Securities Regulations unless exempted.

***Responsibility***

Vestcor provides clients with status reports of regulatory compliance quarterly as part of the Administration Report.

The Board of Directors, or a Board committee, is responsible for monitoring Vestcor's compliance with regulatory matters and keeping all related filings current.

Senior Management is responsible for establishing and maintaining internal processes to enable the regulatory reporting we provide for our clients.

### ***Legal and Tax Risk***

This is the risk of loss relating to actual or proposed changes in legislation as well as noncompliance with laws, rules, regulations, prescribed practices, or ethical standards.

#### *Responsibility*

Each client's governing body is responsible for monitoring their plan's compliance with pension and tax regulations.

The Board of Directors, or a Board committee, is responsible for monitoring Vestcor's compliance with legal and tax matters.

Senior Management is responsible for establishing and maintaining internal processes to enable the tax and financial reporting we provide for our clients.

### ***Fraud Risk***

Fraud risk is the risk of an intentional act that results in misappropriation of assets, improper or unauthorized expenditures (including bribery and other improper payments), self-dealings (including kickbacks), a material misstatement in financial reporting, and/or violations of laws and regulations (including securities laws).

#### *Responsibility*

Management is responsible for designing internal controls that specifically consider the risk of fraud and for ensuring that these controls are operating effectively.

### ***Physical Security Risk***

Physical security involves the risk to safety of employees and capital assets.

#### *Responsibility*

Management monitors physical safety through its Occupational Health & Safety Committee (OHSC).

**Category E: Human Resources Risk**

Human resources risk is the risk of loss resulting from inadequate or failed internal human resource performance and from business practices that are inconsistent with generally accepted human resource laws and practices.

*Responsibility*

The Human Resources and Compensation Committee of the Board is responsible for oversight of Vestcor's human resources policies, including compensation.

Senior Management is responsible for effective human resources processes and activities. This includes the development of job descriptions for each employee, training and development activities, annual performance reviews, and succession planning.

We have subdivided human resources risk as follows:

***Hiring, Retention, and Termination Risk***

This is the risk that inadequate hiring practices, performance measurement and coaching, and termination processes result in a mismatch of skills and responsibilities, excessive turnover, and poor employee morale.

***Succession Planning Risk***

Succession planning risk is the risk that inadequate employee development will result in insufficient qualified resources to fill critical roles when necessary.

***Compensation Risk***

Compensation risk is the risk that compensation practices are unfair or not competitive.

**Category F: Technology Risk**

Vestcor relies significantly on management information systems and communication technology. We are therefore exposed to the potential for material risk of direct or indirect loss resulting from inadequate or failed information technology.

*Responsibility*

The Audit Committee of the Board is responsible for oversight of Vestcor's IT risk management.

Management is responsible for ensuring technological operational efficiency and effectiveness. The IT Risk Management Committee assists Management by

recommending improvements and best practices from its review of risks faced by our current and future use of technology. The Business Continuity Planning Team meets semi-annually to consider potential disaster scenarios and our resilience to them.

We have subdivided technology risks as follows:

***IT Environment / Cybersecurity Risk***

Cybersecurity risk is the risk that compromises the security of data or weakens or impairs business operations.

***Information Management, Records Retention, and Privacy Risk***

This is the risk that critical information and records may be destroyed, lost, stolen, or otherwise compromised.

***Systems, Applications, and Databases Risk***

This is the risk that systems, applications, and databases do not meet the business requirements.

***Business Continuity Planning and Disaster Recovery Risk***

Major environmental forces (floods, fires, etc.) could interrupt operations leading to financial loss and reputational damage.

## V. Conclusion

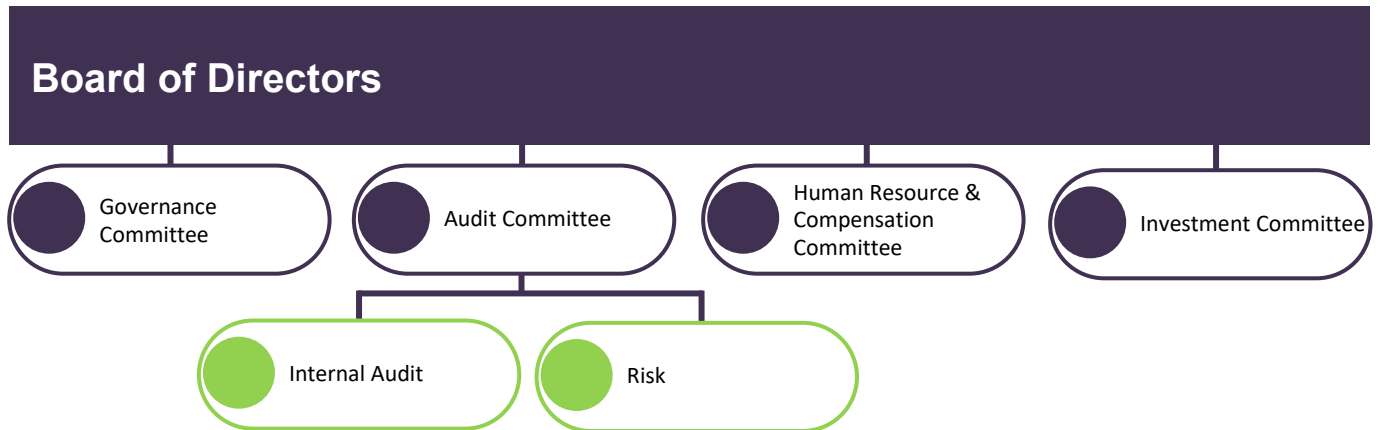
This document presents a summary of our philosophy on the management of risk, discusses the risks that we are exposed to in the normal course of operations, and provides a brief overview of the risk management procedures that are currently employed to aid in managerial decision making.

We attempt to take an integrative point of view on the management of risk and use tools and processes available to us in various situations, such as quantitative tools for objective investment risks, and qualitative assessments for other risks such as operational risks.

Risk management is, as mentioned, a circular process. The undertaking of risk management procedures often leads to the identification of previously unidentified sources of risk. For this reason, this document is expected to be a living document and will be updated annually for changes in risk management beliefs, objectives, and processes.

## Appendix A: Risk Governance Structure

### Board of Directors and its Committees



### Management and its Committees

## Senior Leadership Team



### External Service Providers

- External Audit
- External Legal Counsel
- Securities Custodian
- Consultant Services
- Clients' Investment Consultants
- External Investment Management
- Clients' Actuaries
- Hosted System Service Providers