

# **BERKSHIRE HILLS BANCORP, INC.**

## **BERKSHIRE BANK**

### **RISK MANAGEMENT AND CAPITAL COMMITTEE**

#### **CHARTER**

##### **Purpose**

The joint Risk Management and Capital Committee (the “Committee”) of the Boards of Directors (collectively, the “Board”) of Berkshire Bank and Berkshire Hills Bancorp, Inc. (collectively, the “Company”) is responsible for overseeing the management and control of the Company’s capital and Material Business Risks on an independent and consolidated basis and ensuring compliance with applicable capital, risk management, and safety and soundness requirements. The Committee is appointed by the Board to:

- (i) oversee management’s program to limit or control the Material Business Risks that confront the Company,
- (ii) approve policies and procedures designed to identify, control, monitor, measure, and report the Material Business Risks of the Company, and,
- (iii) oversee and monitor the capital position of the Company, including capital plans, costs of capital, opportunities and threats to capital, and share performance.

*Material Business Risks include the following categories: credit risk, interest rate risk, price risk, liquidity risk, operational risk, strategic risk, reputation risk, and compliance risk. Since the Compliance and Regulatory Committee of the Board governs compliance risk, this particular risk is excluded from the reference to Material Business Risks for purposes of this Charter only.*

##### **Organization and Meetings**

The Committee shall consist of no fewer than three (3) members, at least one half of whom shall be directors who meet the definition of independent director as defined under the rules of The New York Stock Exchange and any applicable Securities and Exchange Commission rules and regulations. The Chairperson shall be an independent director. The members and Chairperson of the Committee shall be appointed and replaced by the Board upon consideration of the recommendations of the Company’s Corporate Governance/Nominating Committee.

The Board may, at any time, change the membership of the Committee and fill vacancies, subject to the satisfaction of the above requirements. The Committee shall meet at such times as the Board shall determine in advance and at such other times as the Committee members shall determine. However, there will be no less than four (4) quarterly meetings per year. The Committee shall maintain minutes of its meetings and records relating to those meetings.

A majority of the members of the Committee present in person or by telephone, by means of which all persons participating in the meeting can hear each other, shall constitute a quorum.

Representatives from management can assist the Committee and present at meetings. At a minimum, the representatives from management may include the following:

- President
- Chief Operating Officer
- SEVP, Chief Financial Officer
- EVP, Chief Risk Officer
- EVP, Information Technology & Project Management
- SVP, General Counsel & Corporate Secretary
- SVP, Risk/Credit Administration & Policy
- SVP, Treasurer
- FVP, Treasury
- FVP, Loan Review
- FVP, Information Security Officer

The Committee shall also receive periodic reports from the following management committees to assist in its duties and responsibilities:

- Enterprise Risk Management and Asset/Liability Committee
- Credit Risk Committee
- Stress Testing Committee
- Policy Committee

### **Duties and Responsibilities**

The specific duties and responsibilities of the Committee shall include the following:

#### **Risk Management Function**

1. In conjunction with the Board, the Committee shall set the tone for the overall risk appetite and risk management function of the Company.
2. The Committee shall review and approve appropriate risk management parameters and applicable risk tolerances related to the Material Business Risks.
3. The Committee shall review, approve, and/or recommend policies to the Board that are designed to identify, control, monitor, and measure Material Business Risks and compliance with applicable laws and regulations.
4. The Committee shall review and analyze the Company's risk profile, including the exposure to Material Business Risks and emerging risks. The Committee shall review and analyze available dashboard summaries that serve to highlight certain positions and risk exposures in relation to established tolerances. The following are examples of reports, tests, metrics, and/or dashboard summaries that can be presented to the Committee:
  - a) Reports that summarize the interest rate risk, liquidity, earnings, and capital, and earning positions, as well as updates on regional and national economic conditions.

- b) Stress tests of the interest rate risk and liquidity positions under severe, yet plausible scenarios. These stress tests will be measured, monitored, and reported in accordance with the Interest Rate Risk and Liquidity Policies.
  - c) Levels, trends, and tolerance ranges of various asset quality metrics, such as ratios capturing nonperforming loans, criticized assets, classified assets, delinquencies, and the allowance for loans and lease losses.
  - d) Reports from the Loan Review function, which can detail the independent assessment of exceptions, lending policies, underwriting practices, and rating systems.
  - e) Net position and quality control reports that summarize the performance and risk characteristics of the mortgage banking activities.
  - f) Other ad hoc presentations that directly or indirectly address Material Business Risks.
5. The Committee shall oversee the establishment of material risk and performance indicators for the purpose of effectively measuring, monitoring, controlling, and managing Material Business Risks in relation to strategic objectives, and may require annual risk assessments to be presented by the various lines of business of the Company and other divisions and functions providing support to the lines of business.
  6. The Committee shall assist the Board in determining that the Company is operated according to prudent safety and soundness principles.
  7. The Committee shall monitor concentrations of risk and seek to reduce or mitigate unwarranted risk exposures.
  8. The Committee shall ensure that the Company maintains adequate and effective insurance policies, including directors' and officers' insurance.

### **Capital Function**

1. The Committee shall assist the Board in monitoring the level and adequacy of capital and capital ratios in light of the Company's risk appetite, risk profile, anticipated future trends, and use of operating and financial leverage to balance risk and capital returns.
2. The Committee shall oversee and review the adequacy and progress of management's implementation of the Company's Capital Plans that will document strategies for monitoring the capital position, complying with regulations, ensuring capital adequacy for future expansion and business development, and mitigating inherent risks in the balance sheet.
3. The Committee shall review and approve the Capital Planning Policy and recommend changes to the Board.
4. The Committee shall review the results of any capital stress tests.
5. The Committee shall keep abreast of current regulations and changes to regulations as they are published which will directly affect the capital position of the Company and the Bank. This will include, but is not limited to, changes in the regulatory framework of the Basel III Capital Accord, Dodd-Frank Act, and other Federal and state regulations.

6. The Committee shall assess and monitor the Company's ability to meet its obligation to act as a source of strength for its subsidiary banks pursuant to Section 616(d) of the Dodd-Frank Act and 12 CFR Section 225.4(a) of the regulations of the Federal Reserve.
7. The Committee shall review the adequacy of the Company's Dividend Policy, and the effect of proposed or planned dividends, stock repurchases, retention verses payout practices, and business expansions or acquisitions.
8. The Committee shall evaluate the Company's competitive standing as an investment for its providers of capital, shall assess the Company's share performance, and shall obtain input from analysts and investors regarding capital returns and planning initiatives.

### **General Function**

1. The Committee shall annually review its own performance and shall report this assessment to the Board.
2. The Committee shall review such corporate and bank policies as may be delegated by the Board from time to time, including a review of any changes recommended by the department in charge of the administration and oversight of such policy. The results of such reviews shall be presented at the next Board meeting.
3. The Committee shall make regular reports to the Board concerning its activities including, but not limited to, an assessment of the Company's respective and collective capital and risk management performance.
4. The Committee shall have the sole authority to retain and terminate independent advisors, including third party consultants, investment bankers, capital management, asset/liability management, risk management, capital markets and other experts it deems necessary to assist it in discharging its duties.
5. The Committee shall have the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from internal or external legal, accounting, or other advisors. In connection therewith, the Committee shall be provided appropriate funding, as determined by the Board.

### **Review and Approval**

The Committee shall review and reassess the adequacy of this Charter as needed, but at least every two years, and recommend proposed changes to the Board. Approval of the Board is required for any changes to this Charter to take effect.

**Committee Reviewed: January 24, 2018**  
**Board Approved: January 25, 2018**  
**Supersedes Charter Dated: December 14, 2017**  
**Next Review Date: January 24, 2020**