

## **MANDATE OF THE CONDUCT REVIEW, GOVERNANCE & HUMAN RESOURCE COMMITTEE**

**BOARD APPROVED: May 30, 2017**

### **Purpose**

The Committee is responsible for assisting the Bank's Board of Directors (the "Board") in overseeing (i) compensation policies and major compensation programs, (ii) compensation risk management, (iii) the compensation for the Chief Executive Officer (the "CEO") and members of the Group Executive, (iv) management succession plans for executive officers, (v) management succession plans for key senior leadership roles, (vi) recommending to the Board individuals for appointment, election or re-election as directors; (vii) overseeing the process for evaluating Board, committee and director effectiveness; (viii) developing and recommending to the Board governance frameworks, principles and policies; and (ix) monitoring developments in corporate governance and adapting best practices to the Bank's needs and circumstances.

### **Organization of the Conduct Review, Governance & Human Resource Committee**

The Conduct Review, Governance & Human Resource Committee shall be comprised of not less than three directors, one of whom shall serve as the Chair of the Committee. The Conduct Review, Governance & Human Resource Committee shall be composed entirely of independent and unaffiliated directors<sup>i ii</sup>.

### **Meetings of the Conduct Review, Governance & Human Resource Committee**

In order for the Committee to transact business, a majority of the members of the Committee must be present. The Committee shall meet at least once each quarter and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate.

There shall be an in camera session at each quarterly Committee meeting with only independent directors present.

The Committee may hold portions of regularly scheduled meetings without management in attendance.

Committee members are expected to devote the appropriate amount of time necessary to review meeting materials such that they are able to engage in informed discussion and make informed decisions.

### **Reporting to the Board**

The Committee shall present a verbal summary report of matters discussed at each of its meetings at the next following meeting of the Board of Directors with respect to its activities with such recommendations as are deemed desirable in the circumstances. In addition, the Committee may call a meeting of the Board of Directors to consider any matter that is of concern to the Committee.

## **Resources and Authority**

The Conduct Review, Governance & Human Resource Committee has the authority to engage and compensate any outside advisor that is determined to be necessary to permit them to carry out these duties, provided such compensation does not exceed \$10,000 in any fiscal year. Should the compensation of an outside advisor exceed \$10,000 in any fiscal year the prior approval of the Board will be required.

## **Duties and Responsibilities of the Conduct Review, Governance & Human Resource Committee**

The members of the Conduct Review, Governance & Human Resource Committee are charged with the following duties:

### **1. Conduct Review**

#### **I. Related Party Transactions**

- a) Undertake an annual review of the effectiveness of the Related Party Transactions Policy & Procedures in ensuring that the Bank is complying with Part XI of the Bank Act (Canada).
- b) Review, and where appropriate approve, related party transactions as required in the Related Party Transactions Policy & Procedures, and in so doing review the practices of the Bank to ensure that any transactions with related parties of the Bank that may have a material effect on the stability or solvency of the Bank are identified.
- c) Receive and review annually a list of related parties, as submitted by management.
- d) Review annually a list of related party transactions as required by the Related Party Transactions Policy & Procedures.

#### **II. Conflict of Interest**

- a) Undertake an annual review of the conflict of interest section of the Code of Conduct.
- b) Consider conflict of interest requests as submitted to the Committee, and report determinations to the Board of Directors.
- c) Review all matters as required in the conflict of interest section of the Code of Conduct.

- d) Receive and review annually a report regarding conflict of interest, as submitted by management.

### **III. Conduct of People and Workplace Safety**

- a) Undertake an annual review of the Code of Conduct.
- b) Undertake an annual review of the Code of Conduct Policy.
- c) Receive and review annually a report regarding compliance with the Code of Conduct, as submitted by management.
- d) Undertake an annual review of the Work Place Anti-Harassment, Anti-Discrimination and Anti-Violence Policy & Procedures.
- e) Receive regular reports of any incidents, but at least annually, that have caused physical or psychological harm in the workplace, including harassment, discrimination, violence or significant injuries, as submitted by management.

### **IV. Customer Complaints**

- a) Undertake an annual review of the Customer Complaint Policy and Customer Compliant Procedures.
- b) In accordance with the Customer Complaint Procedures, receive and review annually a report regarding customer complaints regarding matters other than those pertaining to accounting, internal accounting controls or auditing matters, as submitted by management.

### **V. Anonymous Employee Concerns**

- a) Undertake an annual review of the Anonymous Employee Reporting Procedures.
- b) In accordance with the Anonymous Employee Reporting Procedures, receive and review annually a report regarding all concerns submitted by employees regarding any incident of illegal or unethical behavior, including fraud, other than concerns regarding questionable auditing or accounting matters.

## **2. Corporate Governance**

### **I. Corporate Governance**

- a) Review and approve the Bank's Statement of Corporate Governance.
- b) Develop, review and enhance the Bank's approach to governance issues.

- c) Review, and where appropriate, refer matters that should be brought before the attention of the Board of Directors or any other Committee.

## **II. Board Nomination, Development and Compensation**

- a) Review appointments to the position of Chairman of the Board and Vice Chairman of the Board, if applicable, and recommend same to the Board of Directors for approval.
- b) At least annually, make recommendations to the Board of Directors regarding any recommended changes to the compensation of directors including the Chair and Chairs of the committees.
- c) At least annually, review and assess the performance of the Board of Directors.
- d) At least annually, review and assess the performance of committees of the Board.
- e) At least annually, review and assess the performance of individual directors.
- f) Follow up on recommendations flowing from the assessment process.
- g) At least annually, review and make recommendations to the Board of Directors on the structure and membership of the committees of the Board, their responsibilities and any other matters related to the good governance of the Bank.
- h) At least annually, review, update and make recommendations to the Board of Directors regarding the composition, size, and skills profile of the Board and the Committees of the Board.
- i) Set criteria for the selection of directors to ensure that the competencies, skills and personal qualities of the Board members add value.
- j) Recommend to the Board of Directors candidates for election as directors.
- k) Assess the suitability and integrity of directors in accordance with the Assessment Policy for Responsible Persons.
- l) Undertake an annual review of the Director Share Purchase Program.

## **3. Human Resources**

- a. Review and approve the Bank's Compensation and Discussion Analysis in the Management Proxy Circular.
- b. At least annually, review and assess the Chart of Authorities.

- c. At least annually, review and assess a detailed list of the duties and responsibilities of the Chief Executive Officer.
- d. At least annually, ensure that the Chairman of the Board undertakes an annual assessment of the performance of the Chief Executive Officer and reports the results of such assessment to the Committee.
- e. At least annually, review the compensation contract of the President & CEO and recommend same to the Board of Directors for approval.
- f. Annually approve, at the beginning of each fiscal year and in conjunction with the President & CEO, performance measurements, which are derived from the Bank's Business Plan and are within the Bank's tolerance for risk, for calculating the incentive award of the President & CEO.
- g. Recommend to the Board of Directors for approval the annual incentive award of the President & CEO.
- h. Report to the Board of Directors on a timely basis as to the actual calculations of total compensation of the President & CEO.
- i. Recommend to the Board of Directors for approval the annual incentive award pool for executives. In reviewing the pool the Committee may consider the minimum capital requirements as set out in the Internal Capital Adequacy Assessment Process and may determine to reduce the pool to zero, if required. The pool will fluctuate with business results.
- j. Review, after the fact, staff compensation ranges and benefit programs.
- k. Review, after the fact, staff incentive awards.
- l. Assess the suitability and integrity of officers in accordance with the Assessment Policy for Responsible Persons.
- m. Review officer and senior management appointments to ensure that the Bank has enough experienced and skilled personnel to carry out its business activities in a prudent manner.
- n. Ensure that compensation decisions in respect of employees in control functions (finance, risk, compliance, and internal audit) includes input from the Committee (or full Board) in the most appropriate position to provide comment, and is based on Bank as well as individual performance, and not on the performance of the specific business(es) supported by the control function.

- o. Ensure the Chair of the Audit Committee performs an annual performance appraisal of the Chief Internal Auditor.
- p. Undertake an annual review and make recommendations to the Board of Directors regarding the Bank's compensation policies and plans.
- q. Undertake an annual review of the Incentive Award Program and Incentive Award Program – Lenders.
- r. Undertake an annual review of the Bank's succession plans including the Management Succession Plan.
- s. Undertake an annual review of the Human Resource Plan.
- t. Ensure that detailed job descriptions are maintained for all employees, and ensure that such descriptions are reviewed by management on a regular basis in order to keep the descriptions current.

#### 4. **Internal Controls**

- a) The Conduct Review, Governance & Human Resource Committee is to annually review a report from management on internal control environment decisions related to the above control elements, and such other material as the Committee may request.
- b) Receive and review bi-annual report from the Chief Internal Auditor outlining the results of internal audit's annual assessment of how the Bank's compensation policies, procedures and practices aligns with the Financial Stability Board's Principles for Sound Compensation Practices. The Report shall be provided on a more frequent basis at the request of the Committee, the SVP of Human Resources or the Chief Internal Auditor.

#### 5. **Other Duties**

- a) Regarding matters falling under the Mandate of the Conduct Review, Governance & Human Resource Committee, be aware of increased reputational risk to the Bank which can potentially impact the Bank's image in the community or lower public confidence in it, resulting in the loss of business, legal action or increased regulatory oversight.
- b) Review regulatory reviews regarding matters falling under the Mandate of the Conduct Review, Governance & Human Resource Committee and the status of management's responses to any noted issues.

- c) On an annual basis review the policies relating to matters falling under the Mandate of the Conduct Review, Governance & Human Resource Committee and report to the Board of Directors.
- d) Review regular reports on ‘moderate’ or rated higher risks identified by management that falls under the Mandate of the Conduct Review, Governance & Human Resource Committee.
- e) Perform other activities related to the Mandate as requested by the Board of Directors.
- f) Confirm annually to the Board of Directors that all responsibilities outlined in the Mandate have been carried out.

### **Historic Board Approvals**

February 26, 1997; July 25, 2000; February 26, 2001; May 15, 2001; February 27, 2002; June 27, 2002 (effective August 1, 2002); June 2, 2003; December 4, 2003; March 3, 2005; June 2, 2005; September 1, 2005; December 8, 2008; June 1, 2010; March 7, 2012; June 5, 2013; January 23, 2014; October 29, 2014; March 3, 2015;

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<sup>i</sup> A director is independent if he or she has no direct or indirect material relationship with the Bank. A material relationship is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a member’s independent judgement. Notwithstanding the above, an individual is considered to have a material relationship with the Bank in the situations enumerated in section 1.4 of NI 52-110.

<sup>ii</sup> If the death, disability or resignation of a member has resulted in a vacancy of the Committee that the Board is required to fill, a Committee member appointed to fill such vacancy is exempt from the requirement for a period ending on the later of the next annual meeting and the date that is six months from the day the vacancy was created, so long as the Board has determined that a reliance on this exemption will not materially adversely affect the ability of the Committee to act independently and to satisfy its other requirements.