

## **MANDATE OF THE BOARD OF DIRECTORS**

**BOARD APPROVED: October 24, 2018**

### **Purpose**

The purpose or role of the Board has two fundamental elements: decision-making and oversight. The decision-making function is exercised with respect to the formulation with management of fundamental policies and strategic goals and through the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. The Board establishes formal delegations of authority, defining the limits of management's power and authority and delegating to management certain powers to manage the business of the Bank. The delegations of authority conform to statutory limitations specifying responsibilities of the board that cannot be delegated to management. Any responsibilities not delegated to management remain with the Board and its committees.

### **Organization of the Board of Directors**

The Board shall consist of ten (10) directors, a majority of whom must be resident Canadians at the time of their election or appointment. The Board shall be constituted by a majority of independent directors<sup>i ii</sup>.

Every director, in exercising any of the powers of a director and any of the duties of a director, shall:

- a) act honestly and in good faith with a view to the best interests of the Bank; and
- b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Meetings of the Board of Directors**

In order for the Board to transact business at a meeting, a majority of directors must be present. The Board 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 Board meeting with only independent directors present.

The members of the Board of Directors are expected to attend all meetings of the Board and its committees in person, when at all possible. Attendance by telephone may be used to facilitate a director's attendance.

Directors 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 from Committees**

Certain functions of the Board may be delegated to committees of the Board. Such delegation will be confirmed by the Board approval of committee mandates.

Unless waived the Board, the Chair of each Board Committee shall provide a verbal summary report to the Board on material matters considered during a meeting of such committee at the next meeting of the Board.

## **Resources and Authority**

The Board shall have unrestricted access to management of the Bank and, if determined necessary by the Board, to any employee of the Bank, its subsidiaries or affiliates. The Board shall have the authority to retain and terminate independent legal counsel, consultant or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation of these advisors without consulting or obtaining the approval of any officer of the Company.

## **Duties and Responsibilities of the Board of Directors**

The members of the Board of Directors have responsibility for the stewardship of the Bank and are charged with the following duties:

### **1. General Duties**

- a) Approve the by-laws of the Bank.
- b) Appoint a Chair of the Board who shall be an independent director, subject to exceptional circumstances.
- c) In the event that the Chair of the Board is not an independent director, an independent lead director shall be appointed.
- d) Exercise independent judgment in directing and overseeing the operations of the Bank.
- e) Establish an Audit Committee and approve the mandate, the Chair and members for such committee.
- f) Establish a Conduct Review, Governance & HR Committee and approve the mandate, the Chair and members for such committee.
- g) Establish a Risk Oversight Committee and approve the mandate, the Chair and the members for such committee.
- h) Establish an Innovation and Technology Committee and approve the mandate, the Chair and the members for such committee.
- i) Approve the mandates for each of the Bank's oversight functions, and all other management related mandates.

- j) Establish any other board committees that the Board of Directors deems advisable and approve the mandates for such committees.
- k) Understand directors' responsibilities and regularly evaluate objectively the individual director, the Board Committee and the Boards' effectiveness in fulfilling those responsibilities.
- l) Review director remuneration.
- m) Approve all major changes to the Bank's organizational structure.
- n) Review policies for the Bank as recommended by management and approve all policies.
- o) Review and approve the Recovery Plan and the Recovery Plan Policy every two years or as needed.

## **2. Liquidity and Market Risk**

- a) Understand the liquidity and funding needs of the Bank.
- b) Establish appropriate and prudent liquidity and funding management policies for the Bank, taking into account the Bank's significant operations, including policies on the sources, types and levels of liquidity that are to be maintained by the Bank, and policies that are designed to prevent the Bank's funding from becoming unduly concentrated with respect to source, type, term to maturity or currency of denomination.
- c) Review liquidity and market risk policies at least once a year to ensure that they remain appropriate and prudent.
- d) Obtain, on a regular basis, reasonable assurance that the Bank has ongoing, appropriate and effective liquidity, funding and market risk processes, and that the Bank's liquidity, funding and market risk management policies are being adhered to.

## **3. Credit Risk**

- a) Ensure the Bank has appropriate and prudent policies on the areas and types of credit, both on and off-balance sheet, in which the Bank is willing to engage.
- b) Review management's assessment of asset quality and asset quality trends, credit quality administration and underwriting standards, and the effectiveness of portfolio credit risk management systems and processes to enable management to monitor and control credit risk.
- c) Ensure that procedures and controls for managing credit risk are in place, including:
  - (1) Defined and prudent levels of decision-making authority for approving credit exposures;
  - (2) An effective assessment and rating system for credit risk; and

- (3) An ongoing, appropriate and effective process for managing credit exposures that warrant special attention.

#### **4. Operational Risk**

##### **I. Operational Risk Management**

- a) Review and approve, at least annually, the Bank's Operational Risk Management Framework and Operational Risk Appetite Statement.
- b) Review, at least annually, and approve the Bank's Operational Risk Policy.
- c) Understand the operational risks that the Bank is exposed to.
- d) Establish appropriate and prudent policies on operational risks that are inherent in the Bank's operations.
- e) Review operational risk policies at least once a year to ensure they remain appropriate and prudent.

##### **II. Human Resources**

- a) Appoint and when appropriate remove the President & C.E.O. for the Bank, and ensure that the Chair of the Board conducts an annual assessment of such officer's performance.
- b) Approve the Executive Agreement of the President & CEO.
- c) Annually approve the base salary of the President & CEO.
- d) Monitor the performance of the President & CEO in accordance with annual performance measurements for calculating the incentive award of the President & CEO.
- e) Approve, upon recommendation of the Conduct Review, Governance & HR Committee, the annual incentive award of the President & CEO.
- f) At least annually, review and approve, upon recommendation of the Conduct Review, Governance & HR Committee, the duties and responsibilities of the President & CEO.
- g) At least annually, review and approve, upon recommendation of the Conduct Review, Governance & HR Committee, the Chart of Authorities.
- h) Approve, upon recommendation of the Conduct Review, Governance & HR Committee, the annual incentive award pool for Executives.
- i) Appoint officers for the Bank who are suitably qualified and capable of managing the operations of the Bank effectively and prudently.

- j) Understand the responsibilities and accountabilities assigned to officers of the Bank.
- k) Evaluate, on a regular basis, the effectiveness and prudence of the officers in managing the operations of the Bank and the risks to which the Bank is exposed.
- l) Satisfy itself as to the integrity of the President & CEO and other officers, and satisfy itself that the President & CEO and other officers create a culture of integrity throughout the Bank.
- m) Review the Bank's Management Succession Plan submitted by management.
- n) Review the Bank's Human Resources Plan submitted by management.
- o) Regularly satisfy itself that the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies, procedures and controls.
- p) Establish standards of business conduct and ethical behaviour for the Bank's directors, officers, and other personnel, and obtain on a regular basis reasonable assurance that the Bank has an ongoing, appropriate and effective process for ensuring adherence to those standards.

### **III. Outsourcing and Business Continuity**

- a) Review all major contracts after approval by management, and approve all major contracts out of the ordinary course of business.
- b) Review all arrangements involving an outsourcing of significant operations.
- c) Review system plans and disaster recovery plans as submitted by management.

### **IV. Related Party Transactions**

- a) Approve related party transactions when required by the Bank's governing legislation.

## **5. Legal and Regulatory Risk**

### **I. Regulatory Compliance**

- a) Review, at least annually, and approve the Bank's Regulatory Compliance Management Policy.
- b) Review and approve, at least annually, the Bank's Regulatory Compliance Management Framework and any changes to the Framework.
- c) Understand material regulatory compliance risks that the Bank is exposed to.

## **II. Financial Statements, Public Documents & Other Financial Filings**

- a) Approve the annual financial statements of the Bank.
- b) Approve the annual MD & A.
- c) Approve a Corporate Disclosure Policy for the Bank.

## **6. Strategic Risk**

### **I. Strategic Risk**

- a) Establish the business objectives of the Bank, consider and approve the Bank's business strategy and its business plans for significant operations, and review those things annually to ensure that they remain appropriate and prudent in light of the Bank's current and anticipated business and economic environment, resources and results.
- b) Evaluate, at least quarterly, the Bank's actual operating and financial results against forecast results, in light of the Bank's business objectives, business strategy and business plans.
- c) Obtain, on a regular basis, reasonable assurance that the Bank has an ongoing, appropriate and effective strategic management process.
- d) Approve all significant acquisitions and dispositions.

### **II. Capital Management**

- a) Understand the capital needs of the Bank and approve changes to capital.
- b) Establish appropriate and prudent capital management policies for the Bank, taking into account the Bank's significant operations, including policies on the quantity and quality of capital needed to support the current and planned operations of the Bank that reflect both the risks to which the Bank is exposed and its regulatory capital requirements.
- c) Review capital policies at least once a year to ensure that they remain appropriate and prudent.
- d) Obtain, on a regular basis, reasonable assurance that the Bank has an ongoing, appropriate and effective capital management process, and that the Bank's capital management policies are being adhered to.

## **7. Reputational Risk**

- a) 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.

## **8. Other Duties**

### **I. Risk Management**

- a) Review and approve at least annually the Bank's Risk Appetite Framework and Risk Appetite Statement.
- b) Review, at least annually, and approve the Bank's Enterprise Risk Management Policy.
- c) Review, at least annually, and approve the Bank's Enterprise Risk Management Framework.
- d) Review periodic reports related to management's assessment of the Bank's risk management performance relative to the Risk Appetite Statement and the Risk Magnitude Scale, and any other reports used by management to assess and discuss the categories of risk faced by the Bank.
- e) Understand risks rated moderate and higher faced by the Bank.

### **II. Internal Audit**

- a) Approve the appointment of the Chief Internal Auditor, as recommended by the Audit Committee.
- b) Approve changes respecting the incumbent holding the position of Chief Internal Auditor, as recommended by the Audit Committee.

### **III. External Audit**

- a) Recommend the appointment of the external auditor to the shareholders.
- b) Upon recommendation of the Audit Committee, approve the compensation of the external auditor.
- c) Require the external auditor to report directly to the Audit Committee.

### **IV. Internal Controls**

- a) Review such information as required to obtain reasonable assurance that the Bank has a control environment and that the Bank is in control.

## **Historic Board Approvals**

February 27, 2002; October 11, 2002; March 4, 2003; June 2, 2003; December 4, 2003; March 4, 2004; September 2, 2004; March 3, 2005; June 2, 2005; September 1, 2005; November 3, 2005; May 31, 2006; May 30, 2007; January 27, 2010; October 26, 2011; October 24, 2012; June 5, 2013; January 23, 2014; October 29, 2014; March 3, 2015; June 2, 2015; October 28, 2015; May 31, 2016; August 30, 2016; October 26, 2016; May 30, 2017, May 29, 2018

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<sup>i</sup> A Director is independent if he or she meets the independence criteria as set out in the Bank's Director Independence Policy.

<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.