

## **MANDATE OF THE INNOVATION AND TECHNOLOGY COMMITTEE**

**BOARD APPROVED: May 29, 2018**

### **Purpose**

The purpose of the Innovation and Technology Committee is to assist the Board of Directors (the “Board”) in operational risk management by monitoring the development and implementation of the Bank’s Operational Risk Management Framework to manage against operational risks to which the Bank is exposed. The Committee will assist in ensuring that management has effective policies, processes and procedure to manage Information Technology Risks.

### **Organization of the Innovation and Technology Committee**

The Innovation and Technology Committee shall be comprised of not less than three directors, one of whom shall serve as the Chair of the Committee. The Innovation and Technology Committee shall be composed entirely of independent and unaffiliated directors<sup>i ii</sup>.

### **Meetings of the Innovation and Technology 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.

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 Innovation and Technology 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 Innovation and Technology Committee**

The members of the Innovation and Technology Committee are charged with the following duties:

### **1. Operational Risk Management**

- a) Regularly, but at least annually, review and recommend to the Board the Bank's Operational Risk Appetite Statement.
- b) Regularly, but at least annually, review the Bank's Operational Risk Management Policy.
- c) Regularly, but at least annually review and recommend to the Board the Bank's Operational Risk Management Framework and the format of the Risk Magnitude Scale used by management to monitor risk levels and the effectiveness of the Risk Management Processes.
- d) Review periodic reports related to management's assessment of the Bank's operational risk management performance relative to the Operational Risk Appetite Statement and the Risk Magnitude Scale, and any other reports used by management to assess operational risks faced by the Bank.
- e) Report to the Board on at least a quarterly basis regarding moderate and higher operational risks faced by the Bank.
- f) Evaluate annually the adequacy of the operational risk management function, including the background and experience of key senior risk officers, staffing adequacy, and the independence and authority of the operational risk management function.

### **2. Information Technology Risk and Security**

- a) Receive regular reports on key technology risks and associated mitigation strategies, including the overall technology risk profile of the Bank.
- b) Receive regular reports on material technology risk incidents.
- c) Receive reports on any technology security incident that has resulted in the failure to protect corporate or client information.
- d) Receive periodic reports on Bank's compliance with laws, regulations and guidance relating to its information technology activities.

### **3. Information Technology Investment and Infrastructure**

- a) Review annually the Information Technology Executive Summary and receive regular updates on the status of all technology projects.
- b) Review proposals for any technology investment over \$500,000 outside of the Information Technology Executive Summary.
- c) Review regular reporting on the quality and effectiveness of the Bank's technology infrastructure.
- d) Receive regular reports from management regarding the strategies in place to manage the skills, capabilities, training and development of the Information Technology staff, including succession planning.
- e) Review both short and long-term planning of Information Technology to ensure stable and well-managed growth in the use of Information Technology at the Bank.

### **4. New Initiatives**

- a) Review and risk assess new product line initiatives as prepared by management and provide recommendations on new product line initiatives to the Board.
- b) To review plans for the introduction of new major Information Technology initiatives including implementation strategies.

### **5. Business Continuity**

- a) Receive regular reports on the effectiveness of the Bank's disaster recovery plans and disaster recovery testing and report to the Board.
- b) Review annually, in respect of each material outsourcing arrangement identified a report from management on monitoring and oversight activities in respect to the outsourcing arrangement.

### **6. Internal Controls**

- a) The Innovation and Technology Committee is to review periodic reports from management on internal control environment decisions related to control elements contained within this mandate, and such other materials as the Committee may request.

### **7. Other Duties**

- a) Regarding matters falling under the Mandate of the Innovation and Technology 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 Innovation and Technology 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 Innovation and Technology 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 Innovation and Technology 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**

May 30, 2017; November 28, 2017

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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.