

## **CODE OF CONDUCT POLICY**

Board Approved:      October 28, 2015

### **INTRODUCTION**

#### **Risk Category**

The risk associated with the conduct of individuals who act on behalf of VersaBank (“the Bank”), including its Board of Directors, officers, and employees (hereafter collectively and individually referred to as the Bank’s “representatives”), is included within the risk category of Operational Risk.

#### **Policy and Procedures Objective**

This Policy is intended as a guide for representatives to make decisions consistently and ethically, and to alert representatives to potential problem areas.

#### **Policy Application**

This Policy applies to all representatives.

#### **Policy Exceptions**

No officer, manager, or other individual has authority to permit any exception to this Policy, other than as specifically provided herein.

### **POLICY CONTEXT AND APPLICATION**

As a taker of deposits, the Bank is in a position of special trust and so must conduct itself according to the highest standards of ethical conduct. The conduct of the Bank is reflected in the actions of its representatives. The integrity of the Bank is dependent on the personal integrity of each and every representative of the Bank and, therefore, the Bank requires a strong ethical corporate climate at all levels. Any transaction or activity that the Bank or its representatives engage in must be capable of being subject to public scrutiny without the risk of bringing embarrassment to either the Bank or any of its representatives. As such, all new Bank representatives will be required to sign a Code of Conduct.

#### **Breaches of the Code of Conduct**

While the actual process to deal with an alleged breach of the Code of Conduct may vary depending upon the circumstances, the following represents the important steps that will be taken by the Bank’s legal and human resources departments:

1.      Gather all facts and other information available concerning the alleged breach;
2.      Discuss the situation with the person(s) involved;

3. If required, gather further information;
4. Determine if a breach of the Code of Conduct has occurred;
5. Determine the appropriate disciplinary action; and
6. Take disciplinary action.

Unethical conduct in violation of the Code of Conduct may result in termination of the representative's services to the Bank.

## **CONFLICT OF INTEREST**

### Disclosure of Interest

A director or officer of the Bank shall disclose to the Bank, in writing or by requesting to have it entered in the minutes of a meeting of directors, or a meeting of a committee of directors, the nature and extent of any interest they have in a material contract or material transaction with the Bank, whether entered into or proposed, if they:

- a) are a party to the contract or transaction;
- b) are a director or officer of a party to the contract or transaction, or a person acting in a similar capacity; or
- c) have a material interest in a party to the contract or transaction.

For the purposes of the disclosure described above, a general notice to the directors declaring that a director or officer is to be regarded as interested in a contract or transaction entered into with a party for any of the following reasons is a sufficient declaration of interest in relation to any contract or transaction with that party:

- a) the director or officer is a director or officer of a party referred to in b) or c) above, or a person acting in a similar capacity;
- b) the director or officer has a material interest in the party; or
- c) there has been a material change in the nature of the director's or officer's interest in the party.

### Time of Disclosure – Director

In the case of a director, the disclosure shall be made:

- a) at the meeting of directors, or a committee of directors, at which the proposed contract or transaction is first considered;
- b) if at the time of the meeting referred to in paragraph a) the director was not interested in the proposed contract or transaction, at the first meeting after they become interested in it;
- c) if the director becomes interested after a contract or transaction is entered into, at the first meeting after they become interested; or
- d) if a person who is interested in a contract or transaction becomes a director, at the first meeting after they become a director.

### Time of Disclosure - Officer

In the case of an officer who is not a director, the disclosure shall be made:

- a) immediately after they become aware that the contract, transaction, proposed contract, or proposed transaction is to be considered or has been considered at a meeting of directors, or a committee of directors;
- b) if they become interested after the contract or transaction is entered into, immediately after they become interested; or
- c) if a person who is interested in a contract or transaction becomes an officer, immediately after they become an officer.

### Time of Disclosure – Contract not Requiring Approval

If the material contract or material transaction, whether entered into or proposed, is one that in the ordinary course of the Bank's business would not require approval by the directors or shareholders, the director or officer shall disclose to the Bank in writing or by requesting to have it entered in the minutes of a meeting of directors, or a committee of directors, the nature and extent of their interest immediately after they become aware of the contract or transaction.

### Conduct Review Governance & HR Committee

Where there is a question as to whether a director or officer is in a conflict of interest position, the matter shall be referred to the Conduct Review, Governance & HR Committee. The Committee will review the matter, make a determination as to whether there is a conflict of interest situation, and report such determination to the Board of Directors.

### Abstaining from Voting

A director who is required to make a disclosure regarding a conflict of interest shall not be present at any meeting of directors, or a committee of directors, while the contract or transaction is being considered, or vote on any resolution to approve it, unless the contract or transaction:

- a) relates primarily to their remuneration as a director, officer, employee, or agent of the Bank, an entity controlled by the Bank, or an entity in which the Bank has a substantial investment;
- b) pertains to indemnifications for directors and officers, or insurance for directors and officers; or
- c) is with an affiliate of the Bank.

### List of Conflict of Interest Matters

The General Counsel & Corporate Secretary shall keep a list of all conflict of interest situations. The list will be available for review by the Conduct Review, Governance & HR Committee from time to time upon request and will be submitted by the General Counsel & Corporate Secretary prior to the annual meeting of the Conduct Review, Governance & HR Committee.

## Director's and Officer's Statement

All directors and officers of the Bank must sign and submit to the General Counsel & Corporate Secretary, annually, a statement that he or she is not a party to a material contract, proposed material contract, material transaction, or proposed material transaction with the Bank, is not a director or officer of a party to any such contract or transaction, or a person acting in a similar capacity, and does not have a material interest in a party to any such contract or transaction. Annually, the General Counsel & Corporate Secretary shall report to the Conduct Review, Governance & HR Committee that such statements have been received.

## **SOCIAL MEDIA**

Social media refers to the various web-based and mobile-based technology tools that enable people to communicate easily via the Internet to share information and resources. It can include text, audio, video, images, podcasts, and other multimedia communications and may include the use of Facebook, Twitter, MySpace, LinkedIn, blogs, wikis, or other online social media vehicles.

Social media has many positive aspects. It can be a forum for representatives to network, as well as to increase the Bank's visibility and promote its services. However, it also poses several major challenges. They include:

- Representatives inadvertently leaking confidential or sensitive information concerning the Bank.
- Representatives making inaccurate statements about the Bank's business activities or affairs.
- Representatives making derogatory statements about the Bank and/or its representatives and customers.
- Representative's behaviour while utilizing social media may negatively impact the Bank's reputation.
- Excessive use of social media while at work may negatively impact a representative's productivity.
- Inappropriate comments about co-workers may negatively impact the working relationship between representatives.

A representative's publications, including, but not limited to, postings on blogs or social networking sites, must not include any information that the Bank deems to be confidential or sensitive, nor may the Bank's logos be used unless explicit permission in writing has been received from the President & CEO. Any content posted by an employee on a blog or social networking site must comply with all Bank policies and procedures, including, but not limited to, the Code of Conduct and the Workplace Anti-Harassment, Anti-Discrimination and Anti-Violence Policy and Procedures.

In circumstances where an employee has identified the Bank as his/her employer, a representative must not negatively impact the Bank's reputation or goodwill by posting content in publications, including, but not limited to, postings on blogs or social networking sites, content or material that

a reasonable person would find insulting, discriminatory, or offensive to the Bank, its employees or customers, or that are deemed objectionable by the Bank. Such actions will violate this Policy.

Representatives are reminded that, while they are at work, social media and social networking should be kept to a minimum so as not to interfere with performance of their job. Internet activity may be monitored to ensure representatives are using the internet and social media sites appropriately.

Representatives should also be aware that each representative is responsible for his or her comments or postings on blogs and social networking sites, and other related activities, and that published content may form part of a permanent record. Care should be taken so as not to post something that would offend, insult, or discriminate another representative and potentially jeopardize the working relationship.

The Bank reserves the right to take appropriate disciplinary action against representatives for inappropriate use of social networking, even if those activities take place while the representative is away from the workplace.

## **MONITORING AND REPORTING REQUIREMENTS**

Ongoing:

1. Upon joining the Bank every representative must sign an acknowledgement of having received and read a copy of this Policy.
2. Upon joining the Bank every representative must sign a Code of Conduct.
3. The General Counsel & Corporate Secretary shall keep a list of all conflict of interest situations. The list will be available for review by the Conduct Review, Governance & HR Committee from time to time upon request.

Annually:

1. Each individual representative must review this Policy and the Code of Conduct and confirm that, to the best of their knowledge and judgement, they have conformed to both.
2. The list of conflict of interest matters will be presented by the General Counsel & Corporate Secretary to the Conduct Review, Governance & HR Committee prior to the annual meeting of the Committee.
3. All directors and officers of the Bank must sign and submit to the General Counsel & Corporate Secretary annually a statement that he or she is not a party to a material contract, proposed material contract, material transaction, or proposed material transaction with the Bank, is not a director or officer of a party to any such contract or transaction or a person acting in a similar capacity, and does not have a material interest in a party to any such contract or transaction.

4. The General Counsel & Corporate Secretary shall report to the Conduct Review, Governance & HR Committee that all directors' and officers' statements have been received.

## **ACCOUNTABILITY, DELEGATION OF AUTHORITY AND OWNERSHIP**

### **Responsibility for Compliance:**

Each representative of the Bank is responsible for his or her compliance with this Policy and the Code of Conduct.

The Chief HR Executive is responsible for ensuring that the policy documentation, controls and reporting requirements are maintained as required under this policy.

The Conduct Review, Governance & HR Committee has oversight of this policy.

### **Responsibility for Monitoring Compliance:**

The Directors of the Bank are responsible for monitoring compliance with this Policy.

## **REVIEW CYCLE**

At a minimum, all policies must be reviewed on a periodic basis as scheduled in the Policy Template and Approval Policy. Any changes to the policy will be recommended by the Chief HR Executive to the Conduct Review, Governance & HR Committee. The Conduct Review, Governance & HR Committee will subsequently submit their recommendations to the Board of Directors for official policy amendment and approval.

## **HISTORIC BOARD APPROVAL OF POLICY**

July 25, 1995; February 18, 1997; May 14, 2002; June 27, 2002; June 2, 2003; November 3, 2005; September 1, 2010; June 5, 2013.