



# Board Governance Policy

Approved by the Board of Directors  
on May 29, 2018

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## **INTRODUCTION**

Good governance has always been at the forefront at the Laurentian Bank of Canada (the “Bank”). Over the years, the Bank’s Board of Directors (the “Board of Directors” or the “Board”) has taken steps to ensure that best practices are proactively implemented and communicated to our shareholders and other stakeholders.

The objective of the Bank’s governance policy set forth in this document is to provide shareholders and other stakeholders with a clear vision of our governance policies and practices. These policies and practices comply with the disclosure and listing requirements of the Toronto Stock Exchange (the “TSX”), Canadian securities regulations and rules applicable to Canadian chartered banks, including guidelines of the Office of the Superintendent of Financial Institutions (“OSFI”) on governance. Our Board annually reviews this governance policy in order to promote best practices.

Disclosure about our governance policies and practices is also made in our Management Proxy Circular, which is available on the Bank’s website at [www.lbcfg.ca](http://www.lbcfg.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **BOARD COMPOSITION AND RENEWAL**

The mix of individuals who form part of our Board is paramount to the success of the Bank. It is within the mandate of the Human Resources and Corporate Governance Committee (the “HR Committee”) to periodically review the composition of the Board and to propose Board nominees.

In order to assure optimal composition of the Board and to benefit from the complementarity of Board members, the HR Committee has established a comprehensive and diversified matrix of required skills and experience in accordance with which it evaluates each director. When filling a seat on the Board, the HR Committee determines the sought-after profile and applies certain selection criteria. Such criteria includes, among others, independence, diversity, duration of tenure and membership on other boards of directors. The performance of each director is also assessed annually and taken into account by the HR Committee when proposing Board nominees.

### **Independence**

It is the Board of Directors’ practice to recruit independent directors, except for the President and Chief Executive Officer of the Bank.

When assessing the composition of the Board, the HR Committee determines whether each director is independent. A director is independent if he/she has no relationship with the issuer which could, in the view of the Board, be reasonably expected to interfere with the exercise of his/her independent judgment. In order to determine if a director is independent, the Board applies the criteria adopted by Canadian securities regulators, as well as rules applicable to Canadian chartered banks.

Independent directors meet, without the presence of members of management, at the end of all Board and Committee meetings.

*Criteria on Independence adopted by the Board are attached as Schedule A to this governance policy.*

## **Diversity**

The Bank recognizes and embraces the benefits of having a diverse Board and sees Board diversity as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, race, gender and other distinctions between directors.

In reviewing Board composition, the HR Committee will take into account the benefits of all aspects of diversity, including those described above, in order to enable it to discharge its duties and responsibilities effectively. In identifying suitable candidates for appointment to the Board, the HR Committee will consider candidates on merit measured against objective criteria and with due regard for the benefits of diversity on the Board.

*Details with respect to diversity policy of the Board are attached as Schedule B to this governance policy.*

## **Duration of Tenure**

The Board of Directors does not formally prescribe the age of retirement or duration of tenure of directors. Instead, it prefers an approach based on skills and experience in relation to the needs of the Bank, the contribution of each director and the Bank's evaluation process.

The tenure of directors is generally between 10 and 15 years. The tenure of a Board or Committee Chair, in such a role, should generally be between five and eight years. The Board may propose longer tenures under certain circumstances, including, his/her recent nomination as Board or Committee Chair, or his/her expertise or experience on a topic relevant to the Bank.

The Board evaluates, on an annual basis, its requirements and compares them with the skills and experience of each director. It also reviews the performance of each director on the Board and on Board Committees. The directors tenure is also taken into account, in line with this governance policy.

## **Membership on other boards**

The Bank is sensitive to the number of boards of directors and committees on which its directors sit. Even though it has not adopted a specific threshold at which directors would be considered overboarding, the HR Committee, when considering nominees to sit on the Board, will take into account other commitments of proposed directors and their participation and active involvement at Board and Committee meetings. The Board Chair will also take such considerations into account when evaluating the performance of directors.

Furthermore, the Bank limits the number of directors that may sit on the same board of an outside reporting issuer to two, unless the prior consent of the Board Chair is obtained.

## **Aptitudes and integrity of Board members**

In order to maintain sound management of the Bank and its subsidiaries, the Board of Directors is responsible for ensuring the existence of a continuous internal process that assesses the aptitudes and integrity of its members.

Once a candidate has been identified to sit on the Board of Directors, and every five years thereafter or more frequently if determined by the Board, certain background checks are performed with respect to such director. Periodic assessments review, amongst other things, the changes in status within professional organizations, records of criminal convictions and regulatory or civil proceedings, current or potential conflicts of interest, as well as the financial situation of each director.

Details with respect to the background checks on directors and officers are attached as Schedule C to this governance policy.

## **Performance Evaluation**

The Board has a formal evaluation process which consists of the following:

- every year, each Board member is asked to evaluate his/her performance, the performance of his/her colleagues, including Committee Chairs and the Board Chair, and the performance of the Board as a whole and of each Committee, respectively;
- the Board Chair meets with all Board members to discuss their evaluations;
- the Board Chair reports to the HR Committee and to the entire Board with respect to the conclusions of the performance evaluation process and makes recommendations to the Board on Board composition and other potential improvements.

## **DIRECTOR EMERITUS**

The Board may, from time to time, confer the honorary status of Director Emeritus on retiring or former directors who possess skills that are relevant to the Board and who have made significant contributions to the Board through long and distinguished service and accomplishments. The Director Emeritus status is granted on approval by the Board, upon recommendation of the Board Chair. The Director Emeritus status must be renewed annually and may be terminated at any time by the Board of Directors. Directors Emeritus may be invited to attend Annual and Special Meetings of Shareholders, Board meetings and Board dinners, as well as certain strategic sessions. Directors Emeritus are bound to respect the confidentiality of the information that they are made aware of in the course of their function and to respect the Bank's policy on Insiders and Prohibited Transactions on Bank Securities. Directors Emeritus may receive a compensation to be determined by the Board at the time of appointment. Directors Emeritus are reimbursed for reasonable travel and other out-of-pocket expenses incurred to attend the above-mentioned events.

## **ORIENTATION AND ONGOING TRAINING**

The Board has a formal introduction process to help new Board members quickly understand their role and the Bank's strategic orientations and positioning in the market, as well as the Board's areas of focus, which consists of the following:

- an electronic manual is provided to each director which contains all the basic information pertaining to the Bank, such as its organizational structure, letters patent and general by-laws, this governance policy, certain policies and a document concerning the duties and responsibilities of Board members;
- all new directors participate in an integration program via electronic media and are invited to take part in a training session aimed at familiarizing them with the Bank and with the obligations and responsibilities of their position; and
- meetings are organized with the Board Chair, the Bank's President and Chief Executive Officer and various executive officers.

All Board Committee documentation is made available to all directors and they can participate in meetings of Committees they do not sit on. These initiatives serve to promote the development of their knowledge of the Bank's affairs.

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Most Board meetings include presentations on subjects of interest to directors. A full-day session of training is scheduled yearly. Furthermore, all directors who wish to improve their knowledge and skills so as to be able to better fulfill their responsibilities as Board members can do so at the Bank's expense via outside training. Disclosure is made annually with respect to orientation and ongoing training through the Bank's Management Proxy Circular.

### **DIRECTOR COMPENSATION**

From time to time, the Board determines directors' compensation. Pursuant to such determination, directors receive:

- an annual compensation (in cash and/or common shares and/or deferred share units "DSUs", payable quarterly);
- an additional amount if they are chairing and/or sitting on a Board Committee.

The Board also provides that:

- directors must hold a number of shares equal to at least three times a director's base compensation;
- 50% of the compensation must be used to purchase shares or DSUs until the ownership limit is reached;
- directors who are required to participate on behalf of the Bank in training sessions offered by the Bank are paid an attendance fee per training session;
- the Board Chair receives a fixed compensation;
- directors who are also officers of the Bank are not entitled to any compensation as directors;
- directors are reimbursed for their travel and other out-of-pocket expenses incurred to attend Board and Committee meetings, in accordance with the Bank's reimbursement of expenses' policy.

*Details with respect to directors' compensation are attached as Schedule D to this governance policy.*

*Details with respect to reimbursement of expenses are attached as Schedule E to this governance policy.*

## **ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION**

Shareholders are asked to vote annually on a resolution concerning the Bank's approach to named executive officers' compensation. This resolution is on an advisory basis only and does not bind the Board of Directors. The Board will take the results of the vote into account during its deliberations on further modifications to policies, procedures or decisions concerning the compensation of named executive officers. If a significant number of shareholders vote against the resolution, the Board of Directors will consult shareholders in order to gain a better understanding of their concerns and positions.

## **CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

Corporate social responsibility and sustainability are at the very heart of the Bank's business practices. The Bank has been producing a Social Responsibility Report each year since 2007. This publication presents an overview of the organization's practices with respect to governance, ethical and respectful relations, employee development, community involvement and the reduction of its ecological footprint. The Report draws upon Global Reporting Initiative (GRI) performance indicators. In line with its commitment to environmental protection, the Social Responsibility Report is available in electronic format on the Bank's website at [www.lbcfg.ca](http://www.lbcfg.ca).

Furthermore, several members of the Board of Directors have occupied, or presently occupy, positions within governmental, para-governmental and commercial organizations that enable them to evaluate and discern issues related to corporate social responsibility and sustainability.

## **RELATED PARTY TRANSACTIONS**

Pursuant to rules applicable to Canadian chartered banks, the Board has adopted procedures to ensure compliance to Part XI of the [Bank Act](#) (Canada) regarding related party transactions. Such procedures describe the processes followed by the Bank to identify, manage and document related party transactions in accordance with such rules.

*Details with respect to related party transactions are attached as Schedule F to this governance policy.*

## **ANNUAL GOVERNANCE REPORT**

In accordance with the applicable requirements of OSFI, the Bank reports annually on its governance policies and practices. The purpose of the report, in particular, is to support the mandate of the Board of Directors to adopt the applicable rules with respect to corporate governance, by allowing it to compare itself to the best practices in this matter, and institute the necessary changes, as well as to constitute an annual compliance program with respect to corporate governance. The report includes provisions on different matters related to the Board of Directors such as its role and duties, risk governance, and the Audit Committee's role.

## **CORPORATE ETHICS AND INTEGRITY**

It is of prime importance for the Bank that its profitable development be attained, while respecting the principles of transparency, integrity and ethical conduct. In that regard, the Board of Directors works diligently to ensure that the Bank operates with the highest standards of integrity and in full compliance with all applicable laws and regulations.



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The Board of Directors acts in accordance with the Directors' Code of Conduct, which incorporates by reference the Bank's Employee Code of Ethics, both of which are overseen by the HR Committee. The full text of the Bank's Employee Code of Ethics and the Directors' Code of Conduct is available on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

*The Directors' Code of Conduct is attached as Schedule G to this governance policy.*

### COMPLAINTS OR CONCERNS

The Bank's Ombudsman is responsible for handling, in an anonymous and confidential manner, all complaints or concerns received from employees, clients, shareholders and other third parties. The Ombudsman submits a quarterly report to the Audit Committee and Risk Management Committee regarding the nature, scope and frequency of the complaints or concerns received. Since the Ombudsman reports directly to the Board of Directors, questions and concerns addressed by employees, clients, shareholders and other third parties should be submitted in writing to the Ombudsman's office, Laurentian Bank of Canada, 1360 René-Lévesque Boulevard West, suite 600, Montreal, Quebec H3G 0E5 or by calling (514) 284-7192 or (no charge dial) 1-800-479-1244.

*Details with respect to the policy on the handling of complaints and comments about suspicious accounting and audit-related activities are attached as Schedule H to this governance policy.*

### RETAINING EXTERNAL ADVISORS

The Board of Directors, one of its Committees or one of its members may hire the services of external advisors at the Bank's costs.

Different situations may require hiring external advisors, including the following:

- the expertise is specialized and goes beyond the knowledge reasonably expected from a member of the Board of Directors or senior management;
- the nature of the expertise is not in a field where the Board of Directors may require from senior management the fulfillment of their responsibilities, but rather, is a question that implicates the Board of Directors as trustee;
- business practices require that the Board of Directors be advised independently from senior management;
- interests of minority shareholders are at stake and differ from those of majority shareholders.

When the Board of Directors, one of its Committees or one of its members requires the services of an external advisor, the matter must be submitted to the HR Committee. Before the external advisor is hired, the HR Committee evaluates the matter's relevance by considering the following:

- the significance of the file;
- the availability of required information and various sources to obtain it;
- the Board's function and responsibility;
- the budget required.

Details with respect to the policy on the use of external advisors services policy are attached as Schedule I to this governance policy.

## **TRADING ON THE BANK'S SECURITIES**

The status of the Bank as a “reporting issuer” confers on its directors and officers the status of “insiders” under securities legislation. The Board has adopted rules with respect to trading of the Bank’s securities. The objectives of these rules are to inform the Bank’s insiders and employees of their obligations and responsibilities with respect to transactions on the Bank’s securities as well as establish certain internal rules regarding such transactions and the use of privileged information. The rules include provisions with respect to reporting requirements, use of privileged information, and rules governing transactions and prohibited transactions.

Details with respect to insiders and prohibited transactions on bank securities are attached as Schedule J to this governance policy.

## **BOARD AND COMMITTEE MANDATES**

The Board has adopted mandates for itself and its various Committees.

### **Mandate of the Board of Directors**

As a part of its general responsibility of supervising the management of the Bank, the Board of Directors, whether directly or through its committees, exercises various functions, including:

- Strategic functions, notably to adopt a strategic planning process and a dividend policy, as well as approve the strategic plan proposed by senior management, the annual budget and important transactions outside of the ordinary course of business;
- Human resources management functions, notably to appoint and dismiss the President and Chief Executive Officer, to approve the appointments of senior management positions, to establish or approve their objectives, ensure their integrity and to approve an overall compensation framework;
- Oversight functions, notably to approve material frameworks, plans, policies and the selection of officers in charge of internal oversight functions, to ensure that compliance rules are respected as well as identify the business’ principal risks and ensure the implementation of systems capable of properly managing them;
- Corporate governance functions, notably to adopt corporate governance rules and a directors’ code of conduct, to review the Board’s membership, compensation and size, as well as ensure the coordination of an assessment process on the effectiveness of the Board and its committees;
- Communication and disclosure functions, notably to approve the disclosure policy as well as to report to shareholders on the Bank’s performance.

The mandate of the Board of Directors is attached as Schedule K to this governance policy.

### **Mandates of the Board's Committees**

The Board of Directors has three committees — the HR Committee, the Audit Committee and the Risk Management Committee. All committees are composed exclusively of independent directors. Although the President and Chief Executive Officer and certain other members of the Bank's senior management attend Committee meetings, members of the Board meet regularly without the presence of senior management. In addition, the Audit Committee and the Risk Management Committee meet regularly in private with the officers in charge of surveillance functions (Internal Audit, Integrated Risk Management and Regulatory Risk Management).

According to the [Bank Act](#) (Canada), the Board of Directors is required to have an Audit Committee and a Conduct Review Committee. The mandate of the Board's Risk Management Committee includes the responsibilities that must be discharged by the Conduct Review Committee.

The mandate of the Human Resources and Corporate Governance Committee is attached as Schedule L to this governance policy.

The mandate of the Audit Committee is attached as Schedule M to this governance policy.

The mandate of the Risk Management Committee is attached as Schedule N to this governance policy.

### **POSITION DESCRIPTIONS**

The Board has adopted position descriptions for the Board Chair, a Committees Chair and the President and Chief Executive Officer. Such position descriptions set forth the expectations of the Board with respect to rules that the individuals occupying these functions must follow as well as the responsibilities they must carry.

The position description of the Board Chair is attached as Schedule O to this governance policy.

The position description of the Committee Chairs is attached as Schedule P to this governance policy.

The position description of the President and Chief Executive Officer is attached as Schedule Q to this governance policy.

### **CONCLUSION**

The priority assigned to good governance by the Board of Directors has enabled the Bank to evolve and prosper over the course of its lengthy history with utmost respect for all its stakeholders. It is in that spirit that the organization has established the governance policy set forth above, which serves as a framework for its actions and relations.

We will be happy to discuss this governance policy when meeting with our shareholders and other stakeholders.

\* \* \* \* \*

**Schedule A**  
**CRITERIA FOR DETERMINING DIRECTOR INDEPENDENCE**

A **director** of the Bank is not considered independent if, at the time of the determination:

**Duties with the Bank**

1. The director is an executive officer (other than interim Chief Executive Officer) of the Bank or an employee of the Bank or one of its subsidiaries.
2. The director has been, within the last three years, an executive officer (other than interim Chief Executive Officer) of the Bank or an employee of the Bank or one of its subsidiaries.
3. The director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, or anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home is an executive officer of the Bank (other than interim Chief Executive Officer).
4. The director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, or anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home has been, within the last three years, an executive officer of the Bank (other than interim Chief Executive Officer).

**Relationship with the Bank's external auditor**

Note: for the purposes of criteria 5 to 8, a partner does not include a fixed income partner whose interest in the firm that is the Bank's external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

5. The director is a partner or employee of the Bank's external auditor.
6. The director was within the last three years a partner or employee of the Bank's external auditor and personally worked on the Bank's audit within that time.
7. The director's spouse, minor child or stepchild, or the director's child or stepchild who shares his/her home, whether the child in question is a minor or not, is a partner of the Bank's external auditor or is an employee who participates in that firm's audit, assurance or tax compliance (but not tax planning) practice.
8. The director's spouse, minor child or stepchild, or the director's child or stepchild who shares his/her home, whether the child in question is a minor or not, was within the last three years a partner or employee of that firm and personally worked on the Bank's audit within that time.

**Relationship with the compensation committee of another entity**

9. The director is an executive officer of an entity if any of the Bank's current executive officers serves on the entity's compensation committee.
10. The director has been within the last three years, an executive officer of an entity if any of the Bank's current executive officers served at that same time on the entity's compensation committee.

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11. The director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, or anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home is an executive officer of an entity if any of the Bank's current executive officers serves on the entity's compensation committee.
12. The director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, or anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home has been within the last three years an executive officer of an entity if any of the Bank's current executive officers served at that same time on the entity's compensation committee.

#### Compensation from the Bank

NB: for the purposes of criteria 13 and 14, direct compensation does not include compensation for acting as a member of the board of directors or of any board committee of the Bank or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Bank if the compensation is not contingent in any way on continued service.

13. The director received more than \$75,000 per year in direct compensation from the Bank during any 12-month period within the last three years.
14. The director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, or anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home received, as an executive officer of the Bank, more than \$75,000 per year in direct compensation from the Bank or any subsidiary of the Bank during any 12-month period within the last three years.

#### Borrowing from the Bank

15. The director or the director's spouse or common-law partner has, or is a director, officer or employee of an entity which has, a loan from the Bank or any of its subsidiaries which is on the Bank's watch list or is in default.
16. The director and the director's spouse or common-law partner are the beneficial owners of an aggregate number of shares representing more than 10% of the votes attached to all the outstanding shares of an entity, or an aggregate number of shares representing more than 25% of the shareholders' equity of an entity or 25% of all the ownership interests of an entity, that has a loan with the Bank or any of its subsidiaries, which is on the Bank's watch list or is in default.

#### Other relationships

17. Notwithstanding any other criteria, the director has a relationship with the Bank or one of its subsidiaries which could, in the view of the Bank's Board of Directors, be reasonably expected to interfere with the exercise of the director's independent judgment or ability to act in the Bank's best interests.

An **audit committee member** is not independent if, at the time of the determination:

NB: for the purposes of criteria 18 to 20, fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Bank or one of its subsidiaries if the compensation is not contingent in any way on continued service.

**Remuneration from the Bank**

18. The director accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or any subsidiary entity of the Bank, other than as remuneration for acting in his/her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee.
19. The director's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home, whether the child in question is a minor or not, accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or any subsidiary entity of the Bank, other than as remuneration for acting in his/her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee.
20. An entity in which the director is a partner, member, an officer or executive officer (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Bank or any subsidiary entity of the Bank accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or any subsidiary of the Bank.

**Schedule B**  
**BOARD DIVERSITY POLICY**

**Purpose**

The Board Diversity Policy (the “Policy”) sets out the approach to managing diversity on the Board of Directors of the Bank.

**Scope of application**

The Policy applies to the Board. It does not apply to diversity in relation to employees of the Bank. Diversity management practices for employees are overseen by the Bank’s Diversity Committee.

**Policy statement**

The Bank recognizes and embraces the benefits of having a diverse Board and sees diversity at the Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, race, gender and other distinctions between directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. Board appointments are made on merit considering the competences, skills and independence which the Board as a whole requires to be effective.

As part of its mandate, the Board’s Human Resources and Corporate Governance Committee (the “HR Committee”) evaluates the Board’s membership and recommends the appointment of new Directors. The HR Committee also oversees the handling of the annual review of Board effectiveness. In reviewing Board composition, the HR Committee will take into account the benefits of all aspects of diversity, including those described above, in order to enable it to discharge its duties and responsibilities effectively. In identifying suitable candidates for appointment to the Board, the HR Committee will consider candidates on their merit, measured against objective criteria and with due regard for the benefits of diversity on the Board.

As part of the annual performance evaluation on the effectiveness of the Board, its Committees and individual Directors, the HR Committee will weigh the comparison between skills, experience, independence and knowledge on the Board, with the diversity representation of the Board, including gender, how the Board works together as a whole and other factors relevant to its effectiveness.

**Monitoring and reporting**

The HR Committee will report annually in the “corporate governance” section of the Bank’s Management Proxy Circular on appointments made to the Board of Directors in relation to this Policy, including a summary of the Policy.

**Review of the Policy**

The Committee will review this Policy annually. It will recommend changes to the Board when considered necessary.

**Schedule C**  
**POLICY ON BACKGROUND CHECKS OF DIRECTORS AND OFFICERS**

**1. STATEMENT OF PRINCIPLES**

In order to maintain sound management of the Bank and its subsidiaries, the Board of Directors and the Executive Committee are responsible for ensuring that an ongoing internal process be in place to assess the qualifications and integrity of members of the Board of Directors and its Officers.

**2. OBJECTIVES**

The goal of this policy is to set the terms and conditions for the assessments that must be carried out in order to ensure that directors and officers adequately demonstrate integrity and possess the required qualifications to be appointed to or remain within a position at the Bank.

In addition, the present policy identifies the roles and responsibilities of persons responsible for managing the assessment process.

**3. SCOPE**

This policy applies to all members of the Board of Directors and Officers of the Bank as well as its subsidiaries (collectively known as “the Bank”), regulated by the Office of the Superintendent of Financial Institutions ((OSFI).

**4. DEFINITIONS**

For the purposes of this policy:

“Director” refers to any individual elected to sit on the Bank’s Board of Directors.

“Board of Directors” refers to all of the Bank’s Directors.

“Officer” refers to Executive I level and above and all other Officers appointed by the Bank’s Human Resources and Corporate Governance Committee (the “HR Committee”).

**5. PROCEDURE FOR BACKGROUND CHECKS**

**5.1 Assessment frequency**

**5.1.1 Initial assessment**

Each new member of the Board of Directors or Officer must be assessed before being appointed. If an assessment cannot be carried out before making an offer of employment, the offer of employment letter must specify that the Bank can terminate the Officer’s employment within 60 days of hiring, without compensation, if the results of the assessment are unfavourable.



### 5.1.2 Periodic assessment

Each member of the Board of Directors or Officer must be assessed every five (5) years following their initial assessment or any lesser period of time deemed reasonable by the Bank's HR Committee.

### 5.1.3 Assessment in the case of reasonable doubt

If there is reason to believe that a Director's or Officer's financial situation is not sound, or that they have a criminal record, they must be assessed as soon as possible.

In addition, if there is reasonable doubt that a Director or an Officer may have violated the terms of a loan or any other financial commitment made with the Bank or a third party, the Director or Officer must submit to a review of their financial situation if the circumstances warrant it.

## **5.2 Required information**

The required information is the same for Directors and Officers of the Bank. However, this information differs depending on the type of assessment – Initial or Periodic.

### 5.2.1 Initial assessment

The initial assessment review includes the following:

- Training or diplomas obtained;
- Positions or functions previously held;
- Status within professional organizations;
- Records relating to criminal convictions, regulatory or civil proceedings against the Director or Officer, including, if applicable, records of securities-related sanctions or disciplinary actions taken by a professional regulatory body as well as convictions and regulatory proceedings;
- Current or potential conflicts of interest;
- Financial situation.

It should be noted that, depending on the position held by the person being assessed, additional information may be required.

### 5.2.2 Periodic assessment

The periodic assessment review includes the following:

- Status within professional organizations;
- Current or potential conflicts of interest;
- Financial situation;
- Records of criminal convictions, regulatory or civil proceedings against the Director or Officer, including if applicable, records of securities-related sanctions or disciplinary actions taken by a professional regulatory body as well as convictions and regulatory proceedings.

In addition, if there is reason to believe that other elements should be verified, according to the position that the person will occupy, additional assessments may be conducted.

### **5.3 Information Collection**

All persons being assessed must complete the questionnaire currently in force for the assessment of background checks on Directors and Officers as well as the consent forms for collecting the personal information required for the assessment.

A firm specialized in background checks validates the information provided.

### **5.4 Negative Assessment**

The Chair of the Board of Directors (for Directors), or the President and Chief Executive Officer (for Officers), must ensure adequate measures are taken to rectify the situation. These measures may result in the termination of employment or of the position currently held.

## **6. ROLES AND RESPONSIBILITIES**

With respect to background checks, the responsibilities of the Board of Directors and Officers are illustrated in Appendix A.

### **6.1 Board of Directors**

The Board of Directors:

- Receives and approves, annually, the members of the Board of Directors and Officers subject to this policy;
- Reviews and, if needed, approves this policy annually.

### **6.2 Chair of the Board**

The Chair of the Board:

- Receives the assessment report concerning the Director and the President and Chief Executive Officer;
- In the case of adverse findings on a Director:
  - Will, together with the HR Committee, take the measures deemed appropriate under the circumstances;
  - Meets with and informs the Director or the candidate for a Director position of the decision;
- In the case of adverse findings on the President and Chief Executive Officer:
  - Will, together with the Board of Directors, take the measures deemed appropriate in the circumstances;
  - Meets with and informs the President and Chief Executive Officer of the decision.

### **6.3 Chair of the HR Committee**

The Chair of the HR Committee:

- Receives the assessment report concerning the Chair of the Board;
- In the case of adverse findings on the Chair of the Board:
  - Will, together with the Board of Directors, take the measures deemed appropriate under the circumstances;
  - Meets with and informs the Chair of the Board of the decision.

#### **6.4 President and Chief Executive Officer**

The President and Chief Executive Officer:

- receives the assessment report concerning an Officer;
- In the case of adverse findings on an Officer:
  - Will, together with the Officer's immediate supervisor and any other concerned individual, take the measures deemed appropriate under the circumstances;
  - Meets with and informs the Officer or the candidate for the position of Officer of the reasons for the decision.

#### **6.5 Executive Vice-President, Chief Risk Officer and Corporate Affairs**

The Executive Vice-President, Chief Risk Officer and Corporate Affairs or any other person designated by the latter:

- Is informed by the Human Resources representative whenever a new Executive Officer position (level I and above) is created or upon receipt of a new candidacy;
- Assembles the information obtained on the Directors and Officers for the initial and periodic assessments;
- Proceeds with the assessments;
- Prepares an assessment report outlining the results of the assessments (Appendix B);
- Informs the Chair of the Board of Directors when the assessment of a Director, a candidate for the position of Director, or the President and Chief Executive Officer is unfavourable;
- Informs the President and Chief Executive Officer when the assessment of an Officer or a candidate for the position of Officer is unfavourable;
- Informs the Chair of the HR Committee when the assessment of the Chair of the Board or a candidate for the position of Chair is unfavourable.

The Executive Vice-President, Chief Risk Officer and Corporate Affairs may choose to have the assessment conducted by an external reviewer. If an external reviewer is used, the reports will be sent directly to the Chair of the Board of Directors for Director assessments, and to the President and Chief Executive Officer for Officer assessments.

### **7. CONFIDENTIALITY**

The information obtained for the purpose of these assessments must be kept confidential at all times and must not be divulged to any persons besides those listed in section 6.

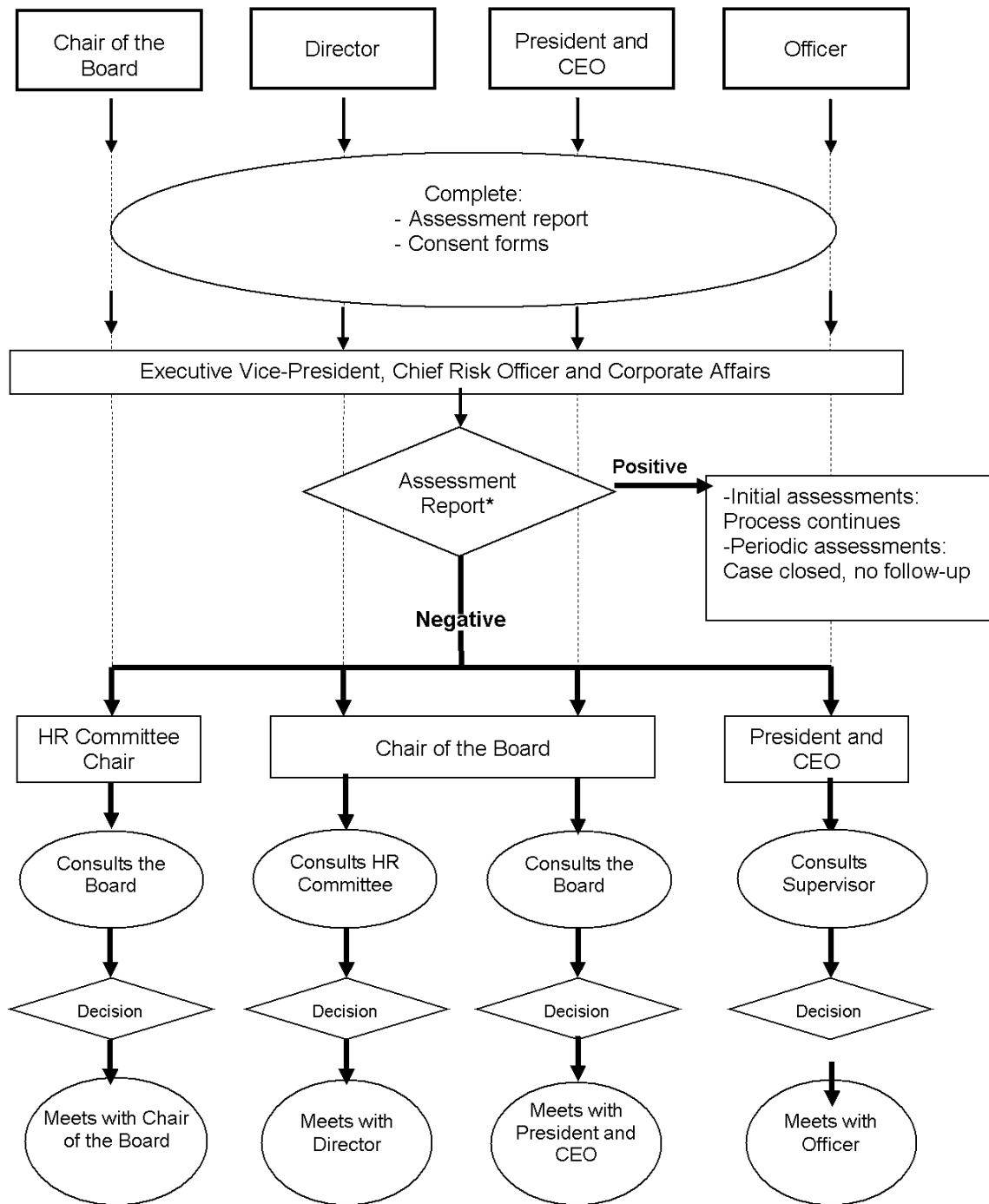
### **8. DOCUMENT ARCHIVING**

The information obtained from these assessments is kept in the Director's or Officer's general file and is preserved as per the employee file conservation practices currently in effect at the Bank for a minimum of ten (10) years after the departure of the Director or Officer.

### **9. POLICY REVIEW**

This policy is reviewed annually.

**APPENDIX A**  
**Assessment Report for background checks on Directors and Officers**



**APPENDIX B**

**ASSESSMENT REPORT FOR BACKGROUND CHECKS**  
**ON DIRECTORS AND OFFICERS**

DIRECTOR

OFFICER

Last name:
First Name:

<b>ASSESSMENT</b> <input type="checkbox"/> INITIAL <input type="checkbox"/> PERIODIC
---

Required Information	Compliant
Training or diplomas obtained	<input type="checkbox"/> yes <input type="checkbox"/> no <input type="checkbox"/> n.a.
Status within professional organizations	<input type="checkbox"/> yes <input type="checkbox"/> no <input type="checkbox"/> n.a.
Civil Court records	<input type="checkbox"/> yes <input type="checkbox"/> no
Criminal Court records	<input type="checkbox"/> yes <input type="checkbox"/> no
Conflict of interest	<input type="checkbox"/> yes <input type="checkbox"/> no
Financial situation	<input type="checkbox"/> yes <input type="checkbox"/> no
Social media networks	<input type="checkbox"/> yes <input type="checkbox"/> no
Date:	Signature:
By:	
Title:	
Comments:	

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**RECOMMENDATION**

*In accordance with the E-17 Guideline "Background Checks on Directors and Officers of FREs" from the Office of the Superintendent of Financial Institutions (OSFI) and to the Bank's internal policy regarding the assessment report for background checks on Directors and Officers and following an analysis of the aforementioned elements, I declare that this assessment is :*

*Positive*                       *Negative*

Date:	Signature:
By:	
Title:	
Comments:	

**Schedule D**  
**DIRECTORS' COMPENSATION**

It was resolved:

**THAT** the Directors' compensation be fixed as follows:

\$110,000	per annum for each director (\$55,000 payable quarterly in cash and \$55,000 in the form of deferred share units "DSUs" payable annually following the release of the third quarter financial results of the Bank) ("Base Compensation");
\$20,000	per annum for Chairs of a standing committee;
\$7,500	per year per committee on which a Director sits, except for the Chair of the Board;

**THAT** the Chair of the Board receive, for the exercise of her/his functions, an additional compensation of \$170,000 per annum (\$85,000 payable quarterly in cash and \$85,000 in the form of DSUs payable annually following the release of the third quarter financial results of the Bank);

**THAT** the minimum number of shares to be held by Directors' be 3 times a Director's Base Compensation, which is to be attained no later than 5 years following the Directors' nomination to the board;

**THAT** the Directors' ownership level be calculated taking into account the holding of both shares and DSUs;

**THAT** a director may elect to receive all or part of his/her compensation in the form of issued Bank common shares and/or DSUs issued under the Director Deferred Stock Unit Plan (the "Plan"). For the shares, their value is determined on the basis of the market price at the time of payment to the director. The election may be changed at any time and takes effect on the next quarterly compensation payment date. As for the DSUs, the number of units awarded is established in accordance with the Plan and the DSUs also entitled their holders to an amount equal to dividend payments. Directors may elect to receive DSUs on an annual basis;

**THAT** the Directors who are required to participate on behalf of the Bank in training sessions offered by the Bank be paid an attendance fee of \$1,500 per training session;

**THAT** the Directors who are also officers of the Bank are not entitled to any compensation as Directors;

**THAT** the Directors' compensation be paid out of the amount set out in By-Law XII of the Bank's General By-Laws;

**THAT** the Directors be reimbursed for their hotel and travel expenses upon presentation of supporting documentation;

**THAT** the amendments made to the Directors' compensation shall apply as of May 1, 2018.

**Schedule E**  
**REIMBURSEMENT OF EXPENSES POLICY**

**1. Objective**

The purpose of the policy is to set out the rules for the reimbursement of certain costs incurred by Bank's directors as part of their duties.

**2. Eligibility**

The directors are eligible for the reimbursement of costs covered by this policy.

**3. Eligible expenses**

The Bank reimburses the director for the following expenses incurred in the performance of his or her duties as a director:

- Travel:
  - airplane (economy class)
  - train
  - automobile (current mileage rate)
  - taxi
  - parking
- Lodging
- Educational activities (with the prior consent of the Chair of the Board)

In the case of the President and Chief Executive Officer, eligible expenses are those set out in the expense reimbursement policies applicable to Bank employees.

**4. Reimbursement requests**

Only expenses for which a director provides supporting documents will be reimbursed. If the director chooses to pay by credit card, a Laurentian Bank credit card must be used.

A director must submit claims for reimbursement within 90 days of the event for approval.

N.B.: The Finance Department may check requested reimbursements to ensure the authorizations are in order and report any suspicious or irregular transactions to the Internal Audit department.

**5. Authorization**

Any reimbursement request by a director or the President and Chief Executive Officer must be submitted to the Chair of the Board for approval.

Any reimbursement request by the Chair of the Board must be submitted to the Chair of the Human Resources and Corporate Governance Committee for approval.

**6. Donations**

The Chair of the Board will have a \$10,000 discretionary annual donation budget.



**Schedule F**  
**RELATED PARTY TRANSACTIONS**

**1 PROCEDURES FOR MONITORING RELATED PARTY RELATIONSHIPS**

- 1.1 The Bank must adopt procedures to ensure compliance with Part XI of the Bank Act regarding related party transactions.
- 1.2 Such procedures and their amendments are brought to the attention of the Risk Management Committee for review.
- 1.3 The Review Committee reports to the Chair of the Risk Management Committee on enforcement of these procedures before each quarterly meeting of the Bank's Board of Directors.

**2 MANAGEMENT REVIEW PROCEDURES**

**2.1 List of related parties**

- 2.1.1 The Secretary of the Bank must prepare a register containing a list of related parties within the meaning of Part XI of the Bank Act, keep it up-to-date and review it at least once per year.
- 2.1.2 Such register must include a list of the following related parties:
  - (a) its directors,
  - (b) its senior officers,
  - (c) the spouses or minor children of (a) and (b),
  - (d) the corporations which are controlled by (a), (b) or (c).
- 2.1.3 The Secretary informs the related parties referred to in subparagraphs 2.1.2(a) and 2.1.2(b) of the requirements of the Bank Act and they must certify that they have fulfilled the duty of notifying the persons referred to in paragraphs 2.1.2(c) and 2.1.2(d).
- 2.1.4 The Secretary ensures that the various Bank departments affected by these requirements are informed of the list of related parties and comply with the Act and the instructions issued by the Review Committee mentioned above.

**2.2 Review Committee**

- 2.2.1 The Review Committee consists of at least four officers of the Bank, as more fully described in the mandate of the Review Committee.
- 2.2.2 The Review Committee's mandate is to approve each transaction the Bank enters into with a related party which is covered by Part XI of the Bank Act.
- 2.2.3 Before approving such a transaction, the Review Committee must ensure that it meets the terms of the Act, and, in particular, that the transaction is carried out under terms and conditions that are at least as favorable to the Bank as market terms and conditions.

- 2.2.4 The Review Committee is not required to review or approve nominal value transactions, as defined by the Risk Management Committee and approved by the Superintendent of Financial Institutions.
- 2.2.5 Loans to senior officers, their spouses or minor children that meet the terms of section 496 of the Bank Act also need not be approved by Review Committee.

### **2.3 Mortgage loans**

Loans granted to a related party secured by a mortgage on the principal residence of that related party need not be approved by the Review Committee if:

- 2.3.1 At least one half of the floor space of the secured building is used as a private dwelling;
- 2.3.2 The amount of the loan does not exceed \$500,000;
- 2.3.3 The terms of the loan are similar to those which apply to loans granted to the Bank's other clients;
- 2.3.4 The rate of the loan is that which applies at the time of the loan to the Bank's other clients, other than the authorized discount for full-time senior officers;
- 2.3.5 The fees charged to the related party are the same as those charged to other clients, other than the authorized exceptions for full-time senior officers.

## **3 DEFINITION OF NOMINAL VALUE TRANSACTIONS**

The following are considered nominal value transactions within the meaning of section 490 of the Bank Act:

- 3.1 Commercial or corporate loans in an amount not exceeding 1/10 of 1% of the regulatory capital.
- 3.2 Commercial or corporate loans which exceed 1/10 of 1% of the regulatory capital but which, combined with the balance of loans granted to the same borrower, do not exceed 1/2 of 1% of the regulatory capital.
- 3.3 Non-commercial loans in an amount which, combined with the loans granted to the same borrower, do not exceed \$250,000. This category does not apply to loans made to officers or loans secured by a mortgage on the borrower's principal residence.
- 3.4 Personal transactions which are not loan or credit transactions such as, for example, the purchase of traveller's cheques, the purchase of mutual funds, deposits, etc., which are of nominal value.
- 3.5 The taking of an interest in securities issued by a related party, unless possession is taken for over 90 days and the amount exceeds 1/2 of 1% of the regulatory capital.
- 3.6 Fees for non-credit financial services which do not exceed:
  - (a) the greater of \$200,000 or 1/50 of 1% of the regulatory capital per transaction, or
  - (b) 1/8 of 1% of the regulatory capital, for all such transactions, per year.
- 3.7 The receipt of deposits not exceeding 1% of the regulatory capital per deposit.

- 3.8** Actively marketed products that are not credit-related as well as asset transactions in active securities markets.
- 3.9** The purchase and sale of goods and services (other than professional goods and services) and leasehold interests in real property, the value of which does not exceed:
- (a) the greater of \$200,000, or 1/50 of 1% of the regulatory capital per transaction; or
  - (b) 1/8 of 1% of the regulatory capital for all such transactions, per year.
- 3.10** Other asset transactions, including the purchase or sale of real property, the value of which does not exceed:
- (a) the greater of \$225,000 or 1/25 of 1% of the regulatory capital per transaction; or
  - (b) 1/4 of 1% of the regulatory capital for all such transactions, per year.
- 3.11** Contracts for professional services or consulting with the directors, officers and spouses, the value of which does not exceed:
- (a) \$250,000 per year for all such transactions; or
  - (b) \$100,000 per transaction.

#### **4 POLICY RESPECTING LOANS TO SENIOR OFFICERS**

Loans to senior officers must be made according to the same criteria and requirements as for clients.

The interest discounts to which a full-time senior officer is entitled are:

##### **4.1 Mortgage loan**

On the senior officer's principal residence (at least of which half of the floor space is used as a private dwelling):

- (a) 2% discount on the normal rate in effect for clients on an amount which does not exceed the senior officer's annual salary;
- (b) no administration fee for conventional loans;
- (c) refund of mortgage life insurance.

NB: The spouse may use these benefits.

##### **4.2 Personal loan**

50% discount on the normal rate in effect for clients on a single loan not exceeding \$25,000.

##### **4.3 Pledge loan**

1% discount on the normal rate in effect for clients.

**4.4 Overdraft protection**

50% discount on the normal rate in effect for clients, up to \$1,500.

**4.5 Visa card**

50% discount on the normal rate in effect for clients, up to a \$5,000 credit limit.

**5 SERVICE FEE POLICY**

Full-time senior officers of the Bank may take advantage of the same free use or reduced cost of banking services as other Bank employees.

*Risk Management Committee (Conduct Review Committee): Approved December 2, 1993 – Revised December 8, 2005*

*Board of Directors: Approved December 3, 1993 – Revised December 9, 2005*

*Approved by Superintendent of Financial Institutions: March 21, 1994*

*Revised version dated December 9, 2005 sent to the Office of the Superintendent of Financial Institutions: December 14, 2005*

Latest update: 2018-05-29 (Amendment of point 2.2).

**Schedule G**  
**DIRECTORS' CODE OF CONDUCT**

The Code of Ethics of the Laurentian Bank of Canada and of its subsidiaries is applicable to directors, while making the necessary adaptations. The appendix of this document is an integral part of this Code of Conduct. In their capacity as fiduciaries, the directors, in discharging their duties, must also act in accordance with the principles set forth herein. Therefore directors must:

**A. General Conduct**

1. Act in accordance with the highest standards of conduct and in compliance with the values of the Bank, while contributing to the creation of a culture of integrity within the Bank.
2. Act with honesty, in good faith and in the best interests of the Bank.
3. Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
4. Comply with the requirements of applicable laws and regulations including the [Bank Act](#) (Canada), as well as the provisions of the Bank's incorporating documents and general by-laws.
5. Act with honesty, fairness and transparency with all shareholders and other title holders, clients, suppliers, competitors or employees.
6. Report to the Chair of the Board any conduct by employees, officers or Board members that they consider illegal or unethical.
7. Report to the Chair of the Board any infraction to the present Code.
8. Protect the confidentiality of information.

**B. Board and Committee Meetings**

9. Stay informed of the business developments and affairs of the Bank, notably by reviewing the documentation provided by Management prior to attending Board or Committee meetings, and by devoting all the time required of the meetings.
10. As much as possible, attend and actively participate in all Board and Committee meetings by contributing all their knowledge and experience.
11. Exercise their best judgment when voting on resolutions, ensure that they possess all the necessary information to make informed decisions, question senior management, make verifications or obtain informed opinions or, otherwise, express their dissent.
12. Follow the Chair of the Board's instructions on procedures governing deliberations by the Board.
13. Evaluate their own contribution to the Board with frankness and objectivity and seek to continuously improve themselves.

**C. Insiders transactions, conflict of interest, independence and related party transactions**

14. Abstain from undertaking transactions on the securities of the Bank, unless otherwise permitted by the Bank's Policy on Insiders and on Prohibited Transactions on Bank Securities.
15. File all appropriate declarations with the regulatory authorities regarding transactions on the securities of the Bank.
16. Abstain from taking advantage of business opportunities that belong to the Bank and have come to the attention of the directors by virtue of their directorship.
17. Avoid any situation that places them in conflicts of interest.
18. Disclose in writing<sup>1</sup> to the Bank or by requesting to have it entered in the minutes of a Board Meeting or another Committee Meeting, the nature and extent of any interest they have in a material contract or material transaction with the Bank, whether entered into or proposed, in either of the following cases:
  - (a) they are party to the contract or transaction;
  - (b) they are a director or officer – or a person acting in a similar capacity – of a party in the contract or transaction;
  - (c) they have material interest in a party to the contract or transaction.
19. Abstain from participating in any Board discussion regarding the conflict of interest situation and from voting on any such situation (see applicable sections of the [Bank Act](#) (Canada) in the Appendix).
20. Immediately notify the Chair of the Board of any situation that might compromise their independence.
21. Immediately declare to the Bank's Secretary any business relation that they maintain with the Bank, or that their spouse, one of their children of less than eighteen years of age or an entity controlled by them maintains with the Bank.

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<sup>1</sup> Refer to the Appendix for the time of disclosure and applicable articles of the *Bank Act* (Canada).

**APPENDIX**

Bank Act, 1991, c.46

**202 (1) Disclosure of interest** - A director or officer of a 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.

**(2) Time of disclosure — director** - The disclosure shall be made in the case of a director

- (a) at the meeting of directors, or of 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 one after they become interested in it;
- (c) if the director becomes interested after a contract or transaction is entered into, at the first one after they become interested; or
- (d) if a person who is interested in a contract or transaction becomes a director, at the first one after they become a director.

**(3) Time of disclosure - officer<sup>2</sup>**

**(4) 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, shareholders or members, as the case may be, the director or officer must disclose to the bank, in writing or by requesting to have it entered in the minutes of a meeting of directors or of a committee of directors, the nature and extent of their interest immediately after they become aware of the contract or transaction

**203. (1) Director to abstain —** A director who is required to make a disclosure under subsection 202(1) shall not be present at any meeting of directors, or of 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) is for indemnity under section 212 or insurance under section 213; or
- (c) is with an affiliate of the bank.

**(2) Ineligibility —** Any director who knowingly contravenes subsection (1) ceases to hold office as director and is not eligible, for a period of five years after the date on which the contravention occurred, for election or appointment as a director of any financial institution that is incorporated or formed by or under an Act of Parliament.

**(3) Validity of acts —** An act of the board of directors of a bank, or of a committee of the board of directors, is not invalid because a person acting as a director had ceased under subsection (2) to hold office as a director.

**204. (1) General notice —** For the purposes of subsection 202(1), a general notice to the directors declaring that a director or officer is to be regarded as interested for any of the following reasons in a contract or transaction entered into with a party 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 paragraph 202(1)(b) or (c) or a person acting in a similar capacity;

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<sup>2</sup> Not applicable in this situation.

## Laurentian Bank of Canada

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- (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.

(2) **Access to disclosures** — The shareholders and members of the bank may examine the portions of any minutes of meetings of directors or committees of directors that contain disclosures under subsection 202(1), or the portions of any other documents that contain those disclosures, during the usual business hours of the bank.

**205. (1) Avoidance standards** — A contract or transaction for which disclosure is required under subsection 202(1) is not invalid and a director or officer is not accountable to the bank or its shareholders or members for any profit realized from it by reason only of the director's or officer's interest in the contract or transaction or the fact that the director was present or was counted to determine whether a quorum existed at the meeting of directors, or of a committee of directors, that considered it if

- (a) the director or officer disclosed their interest in accordance with section 202 and subsection 204(1);
- (b) the directors approved the contract or transaction; and
- (c) the contract or transaction was reasonable and fair to the bank at the time that it was approved.

(2) **Confirmation** — Even if the conditions set out in subsection (1) are not met, a director or officer acting honestly and in good faith is not accountable to the bank or its shareholders or members for any profit realized from a contract or transaction for which disclosure was required and the contract or transaction is not invalid by reason only of the director's or officer's interest in it if

- (a) the contract or transaction is approved or confirmed by special resolution
  - (i) in the case of a bank that is not a federal credit union, a meeting of shareholders, or
  - (ii) in the case of a federal credit union, at a meeting of its members and, if it has shareholders, at a meeting of its shareholders;
- (b) disclosure of the interest was made to the shareholders or, in case of federal credit union, to the members and shareholders, if any, in a manner sufficient to indicate its nature before the contract or transaction was approved or confirmed; and
- (c) the contract or transaction was reasonable and fair to the bank at the time that it was approved or confirmed.

**206. Court may set aside or require accounting** — If a director or officer of a bank fails to comply with any of sections 202 to 205, a court, on application of the bank or any of its shareholders or members, may set aside the contract or transaction on any terms that the court thinks fit and may require the director or officer to account to the bank for any profit or gain realized on it.



## Schedule H WHISTLE BLOWER POLICY

### 1 Introduction

With an eye to sound governance practices and the requirements set forth by the various regulators, the Bank requires all employees (including directors, officers and other employees) to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. It is in this context that the Bank has implemented a mechanism for its employees, clients, shareholders and other third parties whereby they can report any serious concerns about a situation that is not in keeping with the Bank's values, applicable laws and regulations, including those related to financial reporting, internal accounting practices or audits.

### 2 Purpose

Intent on maintaining the trust and respect of its employees, customers, shareholders and other third parties, the Bank wishes the appropriate superiors (direct supervisors, Vice-president, Executive Vice-president) or its Ombudsman be informed anonymously and confidentially, of any situation that does not meet the values of honesty and integrity when dealing with matters within the scope of this Policy.

The purpose of this policy is to protect the integrity of the Bank by providing a process for raising serious concerns about situations that are not in keeping with the Bank's values (as described within the scope of this policy) and oversight of that process by senior management and the Board of Directors. This policy requires all employees to raise their concerns and encourages other third parties to do so as well.

### 3 Scope

This policy applies to all Laurentian Bank Group companies.

#### 3.1 Concerns Within the Scope of this Policy

This policy deals with reporting concerns related to the following areas:

- Breaches of the Bank's Code of Ethics, Laws and Regulations – examples include: conflicts of interest; illegal, deceptive sales practices; manipulation of rate or price setting; money laundering and terrorist financing; other violations of governing laws and regulations; and non-adherence to internal compliance policies;
- **Financial Reporting** – examples include: non-disclosure of material facts, falsification or destruction of business or financial records; misrepresentation or suppression of financial information; non-adherence to internal financial reporting policy or standards set by professional orders / controls and including management over-rides;
- **Accounting Practices and Auditing Matters** – examples include: all accounting rules and procedures that have been adopted by the Bank, as well as those dictated by various professional orders, for recording transactions, the valuation of certain assets, liabilities and income and expenses; and auditor independence concerns;
- **Suspected Fraudulent Activity** – examples include: theft; insider trading; staff dealing in their own accounts; market manipulation and market abuse; and corrupt practices including giving

or receiving bribes, kick-backs for selecting a particular supplier or other improper benefits or any unethical conduct in dealing with third parties;

- Retaliation or Retribution Against an Individual who Reports a Concern Under this Policy – examples include: statements, conduct or actions involving discharging, demoting, suspending, harassing or discriminating against an individual reporting a concern, or participating in an investigation, in good faith in accordance with this policy; and
- **Anything Unethical Not Covered by an Existing Communication Channel as Set Out in Section 3.2** - Any person who has serious concerns that a matter is not in keeping with the Bank's values, but is unsure whether the matter is within the categories described above, should report the matter.

### **3.2 Concerns Outside the Scope of this Policy**

This policy does not deal with reporting other client and employee issues for which other communication channels have been established including, but not limited to, client complaints, client problem resolution, breach of client confidentiality or privacy and human resources issues (e.g. harassment). Those types of issues should continue to be directed through the communication channels established for those purposes. In the event that an employee feels uncomfortable in pursuing these channels, for valid reasons, they may contact the Ombudsman.

## **4 Definitions**

To promote common understanding of the terms used in this Policy, definitions are as follows:

### **4.1 Audit Committee**

The Audit Committee means the Audit Committee of the Board of Directors.

### **4.2 Accounting practices**

The accounting practices are all the accounting rules and procedures that have been adopted by the Bank. The accounting rules include the generally accepted accounting practices and guidelines issued by the Office of the Superintendent of Financial Institutions. The accounting rules apply to the recording of transactions, the valuation of certain assets, liabilities, income and expenses as well as the preparation of financial statements.

### **4.3 The Bank**

The Bank means the Laurentian Bank of Canada and all of its subsidiaries.

### **4.4 Employees**

Employees include all directors, officers and other employees of the Bank.

### **4.5 Evaluation Committee**

The Evaluation Committee consists of the Ombudsman, the Chair of the Audit Committee, the Chief Risk Officer, the Chief Compliance Officer, the Senior Vice-President, Human Resources, the Vice-President, Internal Audit and Corporate Secretary. The Chair of the Audit Committee is also the Chair of the Evaluation Committee, he presides the meeting.

#### **4.6 Third Party**

A third party is any moral or physical person who is not an employee. Third parties include the Bank's investors, shareholders, clients, financial advisors of any kind, business partners and suppliers.

#### **4.7 Whistle Blowing Notice**

A whistle blowing notice is any serious concern or information based on a reasonable belief of a conduct not in keeping with the Bank's values, applicable laws and regulations within the scope of this Policy.

The masculine is used in this text in the interest of conciseness and for ease of reading but refers to both the masculine and the feminine.

### **5 Reporting Procedure**

Anyone filling a whistle blowing notice under this Policy must be acting in good faith and have a reasonable belief that the notice is well founded. The notice may be submitted to the direct supervisor, the Vice-President or the Executive Vice-President of the line of business or the Ombudsman.

If an employee is uncomfortable speaking with a supervisor or a Vice-President of the line of business or has reasonable grounds to suspect that neither is in a position to evaluate the matter with the same impartiality that the Ombudsman could, then the employee is encouraged to speak directly with the Bank's Ombudsman.

Any complaint based on allegations that are without basis and cannot be substantiated, or that are proven to be intentionally misleading or malicious will be viewed as a serious offense.

Where the supervisor or the Vice-President receiving the notice deems that the matter is within the scope of this Policy he must immediately advise the Ombudsman and provide information regarding the circumstances and his response to the employee.

At any time during this process, an employee can contact the Ombudsman directly.

As the Ombudsman is a direct function of the Board of Directors, employees, clients, shareholders and other third parties should address their questions and concerns to the Ombudsman in writing, or by telephone or fax, as detailed in Appendix A.

The Ombudsman will make an initial determination of all whistle blowing notices and proceed in one of four ways:

- if any whistle blowing notices are unfounded or frivolous, they will proceed no further;
- if a whistle blowing notice deals with client or employee issues for which other communication channels have been established, the Ombudsman will obtain agreement of the person making the whistle blowing notice to contact the responsible person at the Bank for that channel and will receive notification on the resolution of the matter;
- investigate and resolve the matter within the Ombudsman's office; and
- evaluate which matters warrant a special meeting of the Evaluation Committee based on the seriousness and materiality of the issues raised.

Where the Ombudsman evaluates a matter as warranting the special attention of the Evaluation Committee, the Ombudsman will initiate special meetings of the committee. The committee will review all whistle blowing notices referred to it by the Ombudsman and when a whistle blowing notice appears to be justified, the Evaluation Committee will initiate an investigation by:

- Internal Audit;
- external investigators; or
- designate an internal person at the Bank to conduct an investigation.

The results of all investigations will be sent to the Audit Committee who will make a determination as to the appropriate course of action. The Audit Committee will inform the other committees of the Board of Directors as deemed necessary.

## **6 No Retaliation**

It is contrary to the values of the Bank for anyone to retaliate against anyone who in good faith has reported a concern about any matter, provided information, facilitated the process, or took part in any investigation within the scope of this policy. Retaliation against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

## **7 Records Retention**

All records created as part of this process, whether by the Ombudsman's office or the Audit Committee, will be retained for seven years.

## **8 Confidentiality**

The Ombudsman and anyone receiving a whistle blowing notice have to ensure that all stages of the process are handled confidentially to the fullest extent possible with the exception of situations involving law enforcement, subpoena or other investigations which require disclosure.

The individual filling a notice may choose to remain anonymous or divulge his identity. It is to be considered that anonymity may limit the ability to initiate an investigation or to thoroughly investigate a Whistle Blowing Notice. Therefore, when filling an anonymous Notice, it is even more important to provide sufficiently detailed information to initiate and assist the investigation.

The individual filling a notice must adhere to strict confidentiality of the matter. There may be no discussion outside of the filling process.

## **9 Roles and Responsibilities**

### **9.1 Employees**

The Bank has an open door policy. An employee may first share concerns about any matter within the scope of this policy with a direct supervisor or a Vice president of the line of business or sector.

### **9.2 Direct Supervisor and Vice-President of the Line of Business or Sector**

The Vice-President is responsible for disseminating and reinforcing the policy in his line of business or sector.

In situations where the direct supervisor or Vice-President is in receipt of a whistle blowing notice from an employee, he has to assist in following the process outlined in this Policy and immediately advise the Ombudsman of the matter.

### **9.3 The Ombudsman**

The Bank's Ombudsman is responsible for handling, in an anonymous and confidential manner, all whistle blowing notices received from employees, clients, shareholders and other third parties.

The Ombudsman is responsible for developing and implementing procedures regarding the receipt, keeping and handling of notices received.

The Ombudsman will prepare a quarterly report for the Audit Committee regarding the nature, scope and frequency of all whistle blowing notices received.

### **9.4 Evaluation Committee**

The Evaluation committee is responsible for reviewing all whistle blowing notices referred by the Ombudsman and when a whistle blowing notice appears to be justified, the Evaluation Committee initiates an investigation.

### **9.5 Audit Committee**

The Audit Committee will receive all findings of all investigations conducted at the request of the Evaluation Committee. The Audit Committee will evaluate the findings and make a determination for a course of action to be taken, ensuring that appropriate actions and corrective measures are implemented by the Bank's senior management.

The Chair of the Audit Committee will use discretion in determining which committees of the Board are to be advised of the investigation and findings including the Board of Directors.

The Audit Committee will approve this policy.

### **9.6 Chair of the Audit Committee**

The Chair of the Audit Committee will also be the Chair of the Evaluation Committee and will preside over the meetings.

### **9.7 Chief Risk Officer**

The Chief Risk Officer will take part in any special meetings of the Evaluation Committee.

### **9.8 Chief Compliance Officer**

The Chief Compliance Officer will take part in any special meetings of the Evaluation Committee. The Chief Compliance Officer will also maintain this policy and ensure that this policy is updated annually and that the policy is communicated and reinforced across the Bank.

### **9.9 Senior Vice-President, Human Resources**

The Senior Vice-President, Human Resources, will take part in special meetings of the Evaluation Committee. In addition, if necessary, he or she will be responsible for imposing penalties for objectionable acts committed.

**9.10 Vice-President, Internal Audit**

The Vice-President, Internal Audit will take part in any special meetings of the Evaluation Committee. When mandated by the Evaluation Committee, he or she will ensure that investigations are carried out and will report the findings to the Audit Committee.

**9.11 Corporate Secretary**

The Corporate Secretary will take part in any special meetings of the Evaluation Committee and act in the capacity of minute taker.

**Appendix A**

Ombudsman's Office Contact Details

Laurentian Bank  
1360 René-Lévesque Boulevard West, suite 600  
Montreal, Quebec H3G 0E5

Phone: 514-284-7192 or toll-free 1-800-479-1244

Fax: 514-284-7194 or toll-free 1-800-473-4790

[ombudsman@banquelaurentienne.ca](mailto:ombudsman@banquelaurentienne.ca)

**Schedule I**  
**POLICY ON THE USE OF DIRECTORS' EXTERNAL ADVISORS' SERVICES**

**Context**

- The supervision of a financial institution has evolved into a more complicated task requiring thorough expertise. Even if the purpose of a Board of Directors is to have the necessary experts present during its meetings, it may happen, from time to time, that the Board of Directors seeks the services of external advisors for their opinion independently or without the involvement of senior management.
- Within reason, it is therefore normal for the Board or one of its Directors to require, from time to time, the opinion of external advisors.
- On the other hand, the Board of Directors cannot expect to exercise its role on a regular basis through external advisors and thus discharge its responsibilities to third parties.
- A fair balance must be found, which this policy seeks to establish.

**Rules**

- The Board of Directors or, depending on the circumstances, a member of the Board of Directors may, in accordance with this policy, use the services of external advisors at the expense of the Bank.
- The situations warranting the hiring of these advisors may vary, but generally speaking, the following circumstances would be considered as justifying the decision:
  - The expertise is specialized and goes beyond that which would be reasonably expected from the Board of Directors, a member of the Board of Directors or senior management;
  - This is not an area in which the Board of Directors can require senior management to discharge a responsibility that is its own, but rather an issue that questions the role of the Board of Directors as trustee;
  - Business practices require that the Board of Directors be advised separately of senior management;
  - The interests of minority shareholders are at stake and differ from those of majority shareholders.

**Process**

- When a member of the Board of Directors, one of its Committees, or the Board itself requires the services of an external advisor, the matter must be submitted to the Human Resources and Corporate Governance committee.
- The committee evaluates the matter's relevance by considering the following:
  - The significance of the file;
  - The availability of the required information and of the various sources needed to obtain it;
  - The Board of Director's role and responsibilities;
  - The budget in question.



**Schedule J**  
**POLICY ON INSIDERS AND ON PROHIBITED TRANSACTIONS ON BANK SECURITIES**

**INTRODUCTION**

Laurentian Bank of Canada (the “Bank”) is governed by the rules set forth by the various securities regulatory authorities. Its status as a “reporting issuer” confers upon its directors and officers the status of “**insiders**” under the law. Bank employees may also be subject to rules regarding transactions on the Bank’s securities in certain circumstances. In addition, directors, officers, employees and service providers of the Bank and its subsidiaries must comply with other requirements under the Bank Act.

The objectives of this policy are, firstly, to inform the Bank’s insiders and employees of their obligations and responsibilities with respect to transactions on **Bank Securities, Bank Related Financial Instruments and Subject Agreements** and secondly, to establish certain internal rules regarding such transactions and the use of privileged information.

Appendix A presents a summary of the obligations outlined in this policy and must be read in conjunction with the provisions that follow.

**Definitions**

The Concept of an Insider

There are two types of insiders: reporting insiders and transactional insiders.

The following persons are **reporting insiders** of the Bank:

- (a) the CEO, CFO and COO of the Bank, of a significant shareholder of the Bank or of a major subsidiary of the Bank (as these terms are defined in the regulations);
- (b) a director of the Bank, of a significant shareholder of the Bank or of a major subsidiary of the Bank;
- (c) a person responsible for one of the Bank’s principal operating units, divisions or functions;
- (d) a significant shareholder of the Bank;
- (e) a significant shareholder based on post-conversion beneficial ownership of Bank Securities, as well as the CEO, CFO, COO and every director of this significant shareholder;
- (f) a management company that provides significant management or administrative services to the Bank or a major subsidiary of the Bank, as well as any director, the CEO, CFO, COO and any significant shareholder of such company;
- (g) an individual performing functions similar to those of the insiders specified in articles a) to f);
- (h) the Bank itself, if it has purchased, redeemed or otherwise acquired securities of its own issue, for as long as it continues to hold those securities; and
- (i) any other insider that:
  - (i) receives or has access to information in the normal course of their activities as to material facts or material changes concerning the Bank before the material facts or material changes are generally disclosed; and
  - (ii) directly or indirectly exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of the Bank.

The following persons are **transactional insiders** of the Bank:

- (a) reporting insiders;
- (b) members of the Planning Committee, which is comprised of every vice-president (level Exec I or more) of the Bank and its important subsidiaries, including B2B Bank, Laurentian Bank Securities and LBC Tech Inc.;
- (c) any employee who has acquired privileged information in the course of his relations with or as a result of working for the Bank; as a result of that employee's functions at the Bank; or his or her engaging in business or professional activities.

The Bank's Corporate Secretary's Office maintains an up-to-date list of the persons it deems to be reporting insiders or transactional insiders and advises them of their status. Furthermore, the Corporate Secretary's Office may occasionally designate other persons subject to the rules set forth in this policy.

Reporting issuers are subject to all chapters of this policy. Transactional insiders are subject to chapters 2, 3 and 4, and other employees are subject to chapters 2 and 4.

Concept of "Bank Securities", "Bank Related Financial Instruments" and "Subject Agreements"

For purposes of this policy, the following terms have the following meanings:

- (a) Bank Securities:
  - common shares and preferred shares of the Bank
  - debentures and other debt securities issued by the Bank.
- (b) Bank Related Financial Instruments:
  - stock purchase options (options)
  - stock appreciation rights (SAR)
  - restricted share units (RSU) (both regular and deferred programs)
  - performance share units (PSU) (both regular and deferred programs)
  - deferred share units (DSU)issued or granted by the Bank.
- (c) Subject Agreements:
  - All agreements, arrangements or understandings that have the effect of altering, directly or indirectly, the economic exposure to the Bank and that involve, directly or indirectly, a Bank Security or a Bank Related Financial Instrument (for example: transactions in derivatives, the underlying interest of which is Bank Securities).

## **CHAPTER 1 - REPORTING REQUIREMENTS**

Securities legislation and, in particular, *Regulation 55-104 respecting Insider Reporting Requirements and Exemptions*, imposes on reporting insiders the obligation to report their interest in Bank Securities, Bank Related Financial Instruments and Subject Agreements. The principal objectives of this reporting requirement are to:

- deter insiders from carrying out improper transactions using material information that has not been publicly disclosed; and
- provide investors with information concerning the transactions carried out by insiders involving the securities of an issuer and, consequently, the insiders' views of the issuer's prospects.

## **1.1 Report Contents**

All reports must be filed electronically using the System for Electronic Disclosure by Insiders (SEDI) ([www.sedi.ca](http://www.sedi.ca)).

### Electronic Profile

Reporting insiders must first register as SEDI users and then file an electronic insider profile in the system before filing their initial report. As long as a reporting insider is not required to report, there is no need to create an insider profile on SEDI.

Moreover, reporting insiders must amend their profile when there is a change to the information posted, either:

- within **TEN (10) CALENDAR DAYS** of a change in their name or their relationship with the Bank, or if they cease to be an insider of the Bank; or
- **WHEN FILING THE NEXT** insider report for other changes to the information.

### Initial Report

Reporting insiders must report the following in their initial report:

- their **beneficial ownership** of, or **control or direction** over, whether direct or indirect, the Bank Securities;
- their rights or interest in Bank Related Financial Instruments or their obligations associated with such instruments; and
- any Subject Agreement entered into prior to the date the insider became a reporting insider and which is still in effect.

A person who has “beneficial ownership” of securities refers to the owner, directly or indirectly, of the securities. A person is considered to have direct ownership over securities registered in the name of an intermediary acting as a nominee (for example: an agent, a trustee). A person is considered to have indirect ownership over securities held through an issuer, a family trust, or other legal entity (for example: securities held in the name a company which the person controls).

A person has “control or direction” over securities if such person, directly or indirectly, through any contract, arrangement, relationship or otherwise, has or shares voting power or investment power over such securities (for example: trading or voting authority over securities owned by a spouse or family member).

The initial report must be filed within **TEN (10) CALENDAR DAYS** of the date on which the reporting insider became such, or of the date the reporting insider has an interest to report.

### Subsequent Reports

After filing their initial report, reporting insiders must report:

- any change affecting their beneficial ownership of, or control or direction over, whether direct or indirect, the Bank Securities;
- any change affecting their rights or interest in Bank Related Financial Instruments or their obligations related to such instruments;

- any change in the beneficial ownership of, or control or direction over, whether direct or indirect, options or convertible or exchangeable Bank Securities, and common shares issued by the Bank subsequent to exercising the options; and
- the entering into or material amendment or termination of a Subject Agreement.

Subsequent reports must be made within **FIVE (5) CALENDAR DAYS** of the event to be reported, except for the following events, which must be reported no later than March 31 of the year following the event to be reported:

- any purchase of shares under the Bank's Stock Purchase Program (the "Program"), unless the shares purchased are disposed of further to a discretionary decision made by the insider (shares purchased with the employer's contribution being held in trust for a two-year period and the employee being unable to exercise any rights with respect thereto, such shares must be reported at the latest on March 31 of the year following vesting of the shares);
- any purchase of shares under the Shareholder Dividend Reinvestment and Share Purchase Plan of the Bank (the "Plan"), except for purchases made with optional cash payments;
- any grant of options or SARs by the Bank to the insider for which it files an issuer grant report within five (5) calendar days of the grant, unless the options or SARs are exercised;
- any grant of RSUs, PSUs or DSUs by the Bank to the insider, including those resulting from dividend equivalents, for which the Bank files an issuer grant report within five (5) calendar days of the grant;
- any cashing in or adjustment in the number of RSUs or PSUs.

The conversion of DSUs is not to be reported because unit holders are no longer reporting insiders at that time.

## **1.2 Reporting Responsibility**

Insiders are responsible for **filing their own insider reports**, although they can do so through an agent. They must file the initial report and any subsequent report within the timeframe prescribed by law and by following the aforementioned procedure. More information about insider report filing procedures is available by contacting the Bank's Corporate Secretary's Office. General information about insider reporting requirements can also be obtained via the Internet site of the Autorité des marchés financiers ([www.lautorite.qc.ca](http://www.lautorite.qc.ca)).

## **1.3 Penalties**

The improper filing of an insider report outside of the prescribed timeframe or that, at the time and under the circumstances of its presentation, is false or misleading on a material point, constitutes an offence within the meaning of securities legislation, making offenders subject to the following penalties:

- payment of late filing fees;
- identification as a late filer in a public database maintained by certain securities regulators;
- a cease trading order; or
- in appropriate circumstances, enforcement proceedings or penal measures (fines or even imprisonment).

## **CHAPTER 2 - USE OF PRIVILEGED INFORMATION**

All the rules set out in the securities legislation governing the disclosure of information are intended to ensure that there is no disparity between investors with respect to access to information likely to influence their investment decisions.

In order to achieve this objective of “investor equality”, certain rules stipulate that reporting issuers must promptly disclose any material information that may materially influence the value of their securities. The Bank adopted a disclosure policy to outline its obligations in this regard. Other rules relate to the obligation to keep confidential such material information before it is released. The latter rules are the subject of this chapter.

As a result of their privileged position within a company, certain persons have access to privileged information that may cause fluctuations in the price of securities of the Bank, and, as such, have an advantage over other investors. The purpose of the rules governing the use of privileged information is to prohibit these persons from benefiting from their privileged position in the Bank or from the privileged relations they have with the Bank.

With respect to the Bank, persons subject to these rules include transactional insiders, persons who possess privileged information gained either through their relations with the Bank, as a result of the work they carry out for the Bank, in the course of their duties or in the context of certain commercial or professional activities, as well as all persons with privileged information which, to their knowledge, was derived from an insider of the Bank, or known to them concerning the Bank.

Furthermore, the Corporate Secretary’s Office may occasionally deem persons as having acquired privileged information (for example: in the context of a material transaction).

### **2.1 Nature of the Obligation**

#### Use of Privileged Information with Respect to the Bank or Another Reporting Issuer

Persons that have acquired privileged information with respect to a reporting issuer are prohibited under the law from trading the securities of such issuer, from advising others to trade in such securities, and from using it in any other manner, unless they have reasonable grounds to believe that the information is known to the public. Furthermore, the law prohibits such persons from communicating such information, unless they have reasonable grounds to believe that the information is known to the public or, upon being required to communicate it, they have no grounds to believe that it will be communicated or used contrary to the law.

These obligations not only apply to Bank Securities but also to those of other reporting issuers (i.e. an issuer with whom the Bank has undertaken steps or discussions towards completion of a material transaction). The Corporate Secretary’s Office may, in particular, notify the persons concerned of the identity of the reporting issuers whose securities cannot be traded.

These obligations do not, however, have an effect on:

- automatic purchases and sales of securities under the Program, the Plan or any other automatic plan established by a reporting issuer, on terms and conditions determined in writing prior to the person having knowledge of this information (but applies to any discretionary decisions made by the person in connection therewith);
- the transactions which must mandatorily be carried out under a contract; the terms of which are agreed to in writing and concluded before the person has knowledge of this information.

Under law, "privileged information" means any information that has not been disclosed to the public and that could affect materially the value of the reporting issuer's securities, which includes, but is not limited to:

- changes in the ownership of shares which may affect the control of the reporting issuer;
- changes made to the corporate structure, such as reorganizations, amalgamations and others;
- take-over bids or issuer bids;
- major acquisitions and dispositions;
- changes in the capital structure;
- large borrowings;
- public or private sale of additional securities;
- the launching of new products and developments affecting the reporting issuer's resources, technology, products or markets;
- the entering into or loss of major contracts;
- clear signs of a major increase or decrease in projected short-term earnings;
- changes to the reporting issuer's investment plans or corporate objectives;
- major changes at the executive level;
- major litigation;
- major labour disputes or disagreements with major contractors or suppliers;
- events of default under financing contracts or other contracts; and
- any other developments relating to the business and affairs of the reporting issuer that would be reasonably expected to significantly affect the market price or value of any of its securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decision.

In order to ensure that transactional insiders are not placed in an ambiguous position, chapter 3 of this policy sets forth certain internal rules applicable to them.

#### Use of Privileged Information Concerning an Order

The law also prohibits any person with knowledge of information about a material order on a reporting issuer's securities (i.e. any information relating to an order, a projected or unexecuted order to purchase or sell a security, or even an intention to place such an order, that is likely to have a significant effect on the market price of the security) from trading that issuer's securities, from recommending to anyone to trade in such securities or from communicating that information or otherwise taking advantage of it.

However, this prohibition does not prevent an individual from executing a written obligation previously undertaken, nor from acting as a representative for another person.

## **2.2 Civil and Criminal Liability**

The prohibited use or communication of privileged information gives rise to a two-fold civil liability:

- The person must indemnify the other party for any prejudice suffered as a result of the transaction;
- The person must remit to the reporting issuer, after indemnification of the other party, any direct benefit or advantage obtained as a result of the transaction.

Furthermore, the person may also incur criminal liability and be liable for significant fines.

## **CHAPTER 3 - RULES GOVERNING TRANSACTIONS**

The Bank has adopted specific rules governing transactions made by transactional insiders for the purposes of:

- ensuring that the rules governing the use of privileged information are complied with;
- assuring the integrity of the transactions in its Securities; and
- maintaining the confidence of its partners and the general public.

### **3.1 Subject Transactions**

All transactions on Bank Securities and Bank Related Financial Instruments, including the purchase or sale of Bank Securities, the exercise of options and SARs, are subject to the rules set forth in this chapter, except for the following:

- the granting of options, SARs, RSUs, PSUs and DSUs, because this is done by the Bank;
- the purchase of shares under the Program or the Plan, because the insider exercises no discretion (however, the registration into the Program or the Plan, the making of optional cash payments under the Plan or the changes made to the purchase options put in place do constitute subject transactions because they are discretionary);
- the cashing in of RSUs or PSUs, because this is done on a fixed date; and
- the conversion of DSUs, because this can only be done after leaving the Bank.

### **3.2 Restrictions on Transactions**

A transactional insider may never trade in securities while in possession of privileged information (as set forth in chapter 2), even within the period indicated in the following paragraph.

Subject to the procedure set forth in Section 3.4, and as long as they are not in possession of privileged information, transactional insiders may conduct a subject transaction starting on the **SECOND (2<sup>nd</sup>) CALENDAR DAY** following the disclosure of the Bank's annual or quarterly financial statements to the public (or the following business day if it is a legal holiday), until the **TWENTY-FOURTH (24<sup>th</sup>) CALENDAR DAY** following said start day inclusively (or the preceding business day if it is a legal holiday).

*Example 1: Bank's financial statements made public on Thursday, March 1*

- First day on which transactional insiders may trade: Monday, March 5
- Last day on which transactional insiders may trade: Thursday, March 23

*Example 2: Bank's financial statements made public on Monday, March 1*

- First day on which transactional insiders may trade: Wednesday, March 3
- Last day on which transactional insiders may trade: Friday, March 26

Subject to the preceding paragraph, a transactional insider may make an unlimited number of transactions during the period. However, the number of sales transactions or SAR exercises allowed during the period is limited to one (1), except with the prior approval of the President and CEO of the Bank (or the Chair of the Board in the case of directors of the Bank, and the President and CEO of the Bank). All transactions resulting from a single order to sell are deemed to constitute a single sales transaction.



Exceptionally, subject transactions may be carried out by a transactional insider at times other than that prescribed, upon obtaining the prior approval of the President and CEO of the Bank (or the Chair of the Board in the case of directors of the Bank, and the President and CEO of the Bank).

### **3.3 Associates**

The restrictions provided in this chapter also apply to associates of transactional insiders, namely:

- (i) any company in which the insider owns securities assuring him of more than 10% of a class of shares to which are attached voting rights or an unlimited right to participate in earnings and in the assets upon winding-up;
- (ii) any partner of the insider;
- (iii) any trust or succession in which the insider has a substantial ownership interest or to which he fulfills the functions of a trustee or liquidator or similar functions;
- (iv) the spouse of the insider and his children, as well as his relatives and his spouse's relatives, if they share his residence.

The transactional insider is responsible for informing his or her associates of their obligations.

### **3.4 Prior Notice and Authorization**

A transactional insider must advise the Bank's Corporate Secretary's Office and receive pre-authorization **BEFORE** conducting any transaction on the Bank's Securities, including exercising stock options, SAR, as well as Subject Agreements, as follows:

- an email entitled "PRE-AUTHORIZATION OF A TRANSACTION" must be sent to the Vice-President, Legal Affairs and Secretary of Bank, with a copy to the assistant secretary;
- the email must be marked as "*! High Importance*"; and
- provide a description of the transaction to be undertaken.

Approval of the proposed transaction will only be granted during a period for which an insider can transact, pursuant to Section 3.2 of this policy. The approved transaction must be undertaken within two (2) business days following said approval and only within the relevant opening period.

A transactional insider must also advise and receive pre-authorization from the Bank's Corporate Secretary's Office as provided above, **TWELVE (12) CALENDAR DAYS** prior to conducting any transaction on the Bank Securities, including exercising stock options, to the extent such transaction involves more than 0.5% of the Bank's issued and outstanding securities. The Corporate Secretary's Office must ensure that the appropriate public notices are issued.

## **CHAPTER 4 - PROHIBITED TRANSACTIONS**

This chapter applies to all directors, officers, employees and service providers of the Bank and its subsidiaries.

### **4.1 Short Selling**

Under the *Bank Act*, it is prohibited for any director, officer, employee and service provider of the Bank and its subsidiaries to, directly or indirectly, knowingly sell Bank Securities that they do not own or have not fully paid for (commonly referred to as "short selling").



#### **4.2 Puts and Calls**

Under the *Bank Act*, it is prohibited for any director, officer, employee and service provider of the Bank and its subsidiaries to, directly or indirectly, knowingly buy or sell a put or call option in respect of Bank Securities.

#### **4.3 Civil and Criminal Liability**

The *Bank Act* provides for a civil and criminal liability regime similar to that described in section 2.2 of this policy for any contravention of the aforementioned prohibitions.

#### **4.4 Hedging Strategies**

It is prohibited under this policy for any director, officer, employee and service provider of the Bank and its subsidiaries to, directly or indirectly, enter into Subject Agreements.

APPENDIX A

SUMMARY OF OBLIGATIONS

	REPORTING REQUIREMENTS (Chapter 1)	PROHIBITION FROM TRADING AND COMMUNICATING IF IN POSSESSION OF PRIVILEGED INFORMATION (Chapter 2)	PROHIBITION FROM TRADING OUTSIDE THE "WINDOW" (Chapter 3)	PROHIBITION FROM SHORT SELLING, TRADING ON OPTIONS OR ENTERING INTO SUBJECT AGREEMENTS (Chapter 4)
Reporting insiders	Yes	Yes	Yes	Yes
Transactional insiders	No	Yes	Yes	Yes
Other employees of the Bank or its subsidiaries	No	Yes	No (except if designated by the Corporate Secretary's Office)	Yes
Service providers to the Bank or its subsidiaries	No	Yes	No	Yes
Other persons	No	Yes	No (except associates of a transactional insider)	No

	REPORTING REQUIREMENTS (Chapter 1)	PROHIBITION FOR INDIVIDUALS FROM TRADING IF IN POSSESSION OF PRIVILEGED INFORMATION (Chapter 2)	PROHIBITION FROM TRADING OUTSIDE THE "WINDOW" (Chapter 3)
<b>Bank Securities</b>			
Discretionary purchase or sale	■	■	■
Automatic purchase or sale	■		
Registration into the Program or the Plan or modification of purchase terms put in place		■	■
Optional Cash Payments under the Plan	■	■	■
<b>Options</b>			
Granting	■		
Exercise	■	■	■
<b>SAR</b>			
Granting	■		
Exercise	■	■	■
<b>RSU/PSU</b>			
Granting	■		
Dividends	■		
Adjustment	■		
Cashing in	■		
<b>DSU</b>			
Granting	■		
Dividends	■		
Conversion			
<b>Subject Agreements</b>			
Entering into	■	■	■
Amendment	■	■	■
Termination	■	■	■

**Schedule K**  
**MANDATE OF THE BOARD OF DIRECTORS**

In accordance with the Bank Act (Canada) (the “Bank Act”), the Board of Directors supervises the management of the Bank to ensure its profitability and development. The Board delegates the day-to-day management of the Bank’s activities to Management.

As part of its general responsibility of supervising the management of the Bank, and in addition to carrying out its statutory obligations, the Board of Directors exercises the following functions directly or through its committees:

**1. Strategic Functions**

- 1.1 Adopt a strategic planning process.
- 1.2 Approve the strategic plan proposed by Management, question the underlying assumptions and principles, evaluate it periodically taking opportunities and risk into account, follow up on its implementation, and encourage Management to make changes thereto when required.
- 1.3 Approve the annual budget, including the budget and resources of oversight functions as well as business plans, and follow up on their implementation.
- 1.4 Periodically review the organizational structure.
- 1.5 Approve important transactions outside the ordinary course of business and significant changes in orientation or strategy.
- 1.6 Adopt a dividend policy.

**2. Human Resources Management Functions**

- 2.1 Appoint or dismiss the President and Chief Executive Officer.
- 2.2 Develop a clear job description for the President and Chief Executive Officer.
- 2.3 Approve appointments to senior management positions.
- 2.4 Establish the objectives, evaluate the performance and determine the compensation of the President and Chief Executive Officer.
- 2.5 Approve the setting of the objectives for the other members of senior management, their evaluation and their compensation.
- 2.6 Approve an overall compensation framework (including, among other things, incentive compensation and pension plans) for all officers and employees.
- 2.7 Establish a succession plan for senior management, particularly for the President and Chief Executive Officer.
- 2.8 Ensure that the President and Chief Executive Officer and other members of senior management demonstrate and create a culture of integrity throughout the Bank.

**3. Oversight Functions**

- 3.1 Identify the business's principal risks and ensure the implementation of systems capable of managing them appropriately.
- 3.2 Approve material framework, plans and policies, particularly those regarding risk identification and management.
- 3.3 Oversee the integrity and quality of financial statements and approve them.
- 3.4 Ensure that compliance rules are respected.
- 3.5 Ensure the integrity and effectiveness of internal control and management information systems.
- 3.6 Recommend the appointment of the external auditor to shareholders, ensure its competence, independence, the adequacy of its resources, and approve its mission.
- 3.7 Approve the selection of officers in charge of internal oversight functions (internal auditor, risk management and regulatory risk management), and ensure their competence, independence, and the adequacy of their resources.
- 3.8 Approve the subsidiaries' Board of Directors' structures.
- 3.9 Ensure that Management adequately manages the risks related to the pension plans offered to employees.
- 3.10 Meet with regulatory authorities, discuss their findings and recommendations, and follow up on them.

**4. Corporate Governance Functions**

- 4.1 Adopt applicable corporate governance rules.
- 4.2 Review the Board's membership, compensation and size.
- 4.3 Ensure the recruitment of new Board members to be submitted for election by shareholders and see to their orientation and integration.
- 4.4 Ensure the coordination of an assessment process on the effectiveness of the Board and its committees.
- 4.5 Develop clear job descriptions for the Chair of the Board and the Chair of each Committee.
- 4.6 Approve criteria to evaluate the independence of Board members.
- 4.7 Establish rules concerning membership on other boards and ensure that no more than two directors sit on the Board of Directors of the same public issuer, unless authorized by the Chair of the Board.
- 4.8 Adopt a Code of Conduct for Board members and ensure compliance.
- 4.9 Ensure ongoing training for Board members.

**5. Communication and Disclosure Functions**

- 5.1 Approve the measures by which shareholders and other stakeholders can communicate with the Bank.
- 5.2 Approve the financial information disclosure policy and ensure its compliance.
- 5.3 Report to shareholders on the Bank's performance.

**Schedule L**

**MANDATE OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE**

**1. Constitution**

The Human Resources and Corporate Governance Committee (in this mandate, also referred to as the “Committee”) is constituted by the Board of Directors to support it in exercising its human resources and corporate governance functions.

The Committee reviews its mandate annually.

**2. Appointment and Membership**

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. All members of the Committee must meet the independence requirements established by the Board.

The Committee members remain in office until the Board meeting that follows the next annual meeting of shareholders, unless they are replaced in the interim by a decision of the Board.

**3. Compensation**

Committee members receive compensation for their services established by Board resolution.

**4. Meetings**

The Committee meets at least once every quarter.

Committee meetings may be held without notice (provided the members waive such notice) as often as the members deem appropriate and at the location determined by them.

**5. Quorum**

Quorum at Committee meetings is constituted by a majority of the members.

**6. Chair**

As designated by the Board of Directors, the Committee Chair chairs the Committee meetings. In the Chair’s absence, the members present may elect a Chair *pro tempore* from among themselves.

**7. Procedure**

The procedure for Committee meetings is the same as that for meetings of the Board of Directors.

## **8. Powers of the Committee**

In carrying out its mandate, if it deems appropriate, the Committee may:

- (a) call a meeting of directors;
- (b) communicate with or meet privately with any officer or employee of the Bank, as well as with its internal or external auditors;
- (c) call on the services of external resources independent of the Bank and determine and pay the related fees in compliance with the Board's policy regarding the use of external advisors.

## **9. Secretary**

The Secretary of the Bank or any other officer designated by the President and Chief Executive Officer of the Bank carries out the duties of secretary with respect to the Committee's mandate and those assigned by the Committee Chair.

## **10. Functions**

The Committee exercises the following functions delegated by the Board, as well as any other functions that may be delegated to it by the Board from time to time:

### **10.1. Human Resources**

*With respect to Human Resources management:*

- 10.1.1. Review annually the performance management process and evaluate its effectiveness.
- 10.1.2. Ensure that Management implements a plan to promote the hiring, retention and motivation of qualified personnel, taking into account the Bank's competitive position while maintaining an internal equity system.
- 10.1.3. Ensure that Management conducts a periodic evaluation of the level of employee engagement and review the results of this evaluation.
- 10.1.4. Receive periodic status reports on the relations between the Bank and the employees' union, and examine all other important labour relations questions submitted to it.
- 10.1.5. Periodically review and, if applicable, approve amendments to the Bank's structure.
- 10.1.6. Approve the Human Resources management policies listed in the Appendix.

*With respect to senior officers:*

- 10.1.7. Recommend Board approval of senior officer appointments at executive levels 1, 2 and 3 ("senior officers") and of the ombudsman.
- 10.1.8. Approve the establishment of objectives for members of the Management Committee and evaluate their performance.
- 10.1.9. Approve the terms and conditions of any employment termination agreement of a member of the Management Committee.

- 10.1.10. Ensure that Management implements a succession plan for senior officers with periodical reviews.
- 10.1.11. Ensure that senior officers demonstrate and create a culture of integrity throughout the Bank.
- 10.1.12. Ensure the competence and qualification of senior officers.

*With respect to compensation:*

- 10.1.13. Approve the overall compensation framework (including compensation, short-, medium- and long-term incentive plans, social benefits, indemnification in case of a change of control, pension plans or any similar plans, and ancillary benefits) for senior officers, for the purpose of furthering the Bank's business objectives, taking into account its competitive position while maintaining an internal equity system.
- 10.1.14. Recommend Board approval of the terms and conditions of any stock option and incentive plans based on share value ("incentive plan").
- 10.1.15. Approve grants made under incentive plans in accordance with their terms and conditions.
- 10.1.16. Manage all ancillary benefits, social benefits, incentive plans, indemnification in the event of change of control, retirement plans or any other similar plan in accordance with the powers of administration granted to the Committee under those plans.
- 10.1.17. Approve the compensation, individual bonuses and employment conditions of the Management Committee members, as well as the material terms and conditions of compensation and other employment conditions applicable to senior officers and other employees and officers of the Bank.
- 10.1.18. In collaboration with the Risk Management Committee, review annually the alignment of the Bank's compensation, performance and risk with the compensation principles and standards of the Financial Stability Board.

*With respect to pension plans:*

- 10.1.19. Ensure that Management implements appropriate internal oversight systems for the proper management of pension plans.
- 10.1.20. Recommend Board approval of the design, implementation, governance rules, and terms and conditions applicable to any pension plan offered by the Bank, as well as any changes to it.
- 10.1.21. Follow up on the administration of pension plans by receiving management reports that address the following elements:
  - (a) all activities and decisions relating to the pension plans offered by the Bank and their financial situation on a semi-annual basis;
  - (b) capitalization and investment policies, as well as the pension plans' actuarial valuations for capitalization purposes;
  - (c) the hiring or dismissal, as required, of:



- (i) a consulting actuary,
  - (ii) one or more fund managers,
  - (iii) an asset custodian,
  - (iv) an auditor;
- (d) the performance of fund manager(s) and of the pension plan portfolio on a quarterly basis.

10.2. Corporate Governance

*With respect to the President and Chief Executive Officer:*

- 10.2.1. Recommend to the Board the appointment or dismissal of the President and Chief Executive Officer.
- 10.2.2. If applicable, recommend to the Board any change to the job description of the President and Chief Executive Officer.
- 10.2.3. Recommend annually to the Board the objectives, evaluation, compensation and employment conditions of the President and Chief Executive Officer.
- 10.2.4. Implement a succession plan for the President and Chief Executive Officer and review it periodically.
- 10.2.5. Ensure that the President and Chief Executive Officer acts with and creates a culture of integrity throughout the Bank.

*With respect to the Board and Committees:*

- 10.2.6. If applicable, recommend to the Board any changes to corporate governance rules and ensure compliance with them.
- 10.2.7. Review the annual report on corporate governance and make recommendations to the Board.
- 10.2.8. If applicable, recommend to the Board any changes to the functions of the Board of Directors.
- 10.2.9. Review the Board's membership, including taking into account the competencies and skills that it should possess, as well as the competencies and skills of each of its members and its diversity, and make recommendations to the Board with respect to that.
- 10.2.10. Review the size of the Board and the length of its members' mandates in order to facilitate effective decision-making, and make recommendations to the Board thereon.
- 10.2.11. If applicable, recommend to the Board any changes regarding the compensation of its members.
- 10.2.12. If applicable, recommend to the Board any changes to the rules respecting minimum holding of Bank shares by directors.

- 10.2.13. If applicable, recommend to the Board any changes to the job descriptions of the Board and Committee Chairs.
- 10.2.14. If applicable, recommend to the Board the constitution of Board Committees, as well as any changes to their composition and the description of their functions.
- 10.2.15. If applicable, recommend to the Board any changes to the Code of Conduct for its members and ensure compliance with them.
- 10.2.16. Ensure ongoing training for Board members.
- 10.2.17. Establish criteria to evaluate the independence of Board members and periodically assess the independence of each member.
- 10.2.18. Evaluate the Board and its members.
- 10.2.19. Ensure the recruitment of new Board members to be submitted for election by shareholders, evaluate if each new appointee can devote sufficient time and resources to the duties of director, and make recommendations to the Board with respect thereto.
- 10.2.20. See to the orientation and integration of new Board members.
- 10.2.21. If applicable, recommend to the Board any changes to the Board's policy regarding the use of external advisors by directors.

*With respect to public disclosure:*

- 10.2.22. Recommend Board approval of information on compensation in accordance with regulations prior to its publication in the Bank's Management Proxy Circular.
- 10.2.23. Review the information on corporate governance prior to its publication.
- 10.2.24. Ensure that shareholders are well informed of the Bank's state of affairs and deal with all major differences between the Bank and its shareholders.

## **11. Reporting**

The Committee reports on its activities to the Board of Directors verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to shareholders through the Bank's Management Proxy Circular.

**APPENDIX**

**Policies Included in the Human Resources and Corporate Governance Committee's Framework**

- Employment Equity Accommodation Policy
- Policy to Combat Harassment and Violence
- Policy on Financial Benefits on Products Offered by the Bank
- *Politiques de formation et de développement* (not available in English)
- Performance Management Policy
- *Politique de remplacement du président et chef de la direction en cas d'incapacité subite ou accidentelle* (not available in English)
- Directors' External Advisors Services Policy
- Policy Regarding Background Checks on Directors and Officers
- Compensation Policy for Laurentian Bank Senior Executives
- *Politique de rémunération des employés des marchés des capitaux* (not available in English)
- *Politique sur la capitalisation des régimes de retraite* (not available in English)
- *Politique sur les comptes de dépenses des administrateurs* (not available in English)
- Governance Policy

**Schedule M**  
**MANDATE OF THE AUDIT COMMITTEE**

**1. Constitution**

The Audit Committee (in this mandate, also referred to as the “Committee”) is constituted by the Board of Directors in order to support it in exercising its oversight, communication and disclosure functions.

The Committee reviews its mandate annually.

**2. Appointment and Membership**

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. The Committee must be comprised of members who are not employees or officers of the Bank or a subsidiary and a majority of whom are not affiliated with the Bank. All Committee members must meet the independence requirements established by the Board and must be financially literate as stipulated by *National Instrument 52-110 – Audit Committees*.

Unless they are replaced in the interim by decision of the Board, the Committee members remain in office until the Board meeting that follows the next annual meeting of shareholders.

**3. Compensation**

Committee members receive the compensation for their services established by resolution of the Board.

**4. Meetings**

The Committee meets at least once every quarter.

Committee meetings may be held without notice (provided the members waive such notice) as often as the members deem appropriate and at the location determined by them.

The Committee Chair, the President and Chief Executive Officer, the Chief Financial Officer, the officer in charge of internal audits, and the external auditor can call for a meeting to be held.

The external auditor receives notice of, and may attend, Committee meetings.

**5. Quorum**

Quorum at Committee meetings are constituted by a majority of the members.

**6. Chair**

As designated by the Board of Directors, the Committee Chair chairs the Committee meetings. In the Chair’s absence, the members present may elect a Chair *pro tempore* from among themselves.

The external auditor, the officer in charge of internal audits, and the officer in charge of regulatory risk management may communicate directly with the Chair.

## **7. Procedure**

The procedure for Committee meetings is the same as that for meetings of the Board of Directors.

## **8. Powers of the Committee**

In carrying out its mandate, if it deems appropriate, the Committee may:

- (a) call a meeting of directors;
- (b) communicate or meet privately with any officer or employee of the Bank, as well as with its internal or external auditors;
- (c) call on the services of external resources independent of the Bank, and determine and pay the related fees in compliance with the Board's policy regarding the use of external advisors.

## **9. Secretary**

The Secretary of the Bank or any other officer designated by the President and Chief Executive Officer of the Bank carries out the duties of secretary with respect to the Committee's mandate and those assigned by the Committee Chair.

## **10. Functions**

The Committee fulfills its statutory obligations and exercises the following functions delegated to it by the Board, as well as any other functions that may be delegated to it by the Board from time to time:

### **10.1 Oversight Functions**

*With respect to the external auditor:*

- 10.1.1 Recommend the appointment or dismissal of the external auditor to the Board.
- 10.1.2 Ensure the external auditor's competence, independence, and the adequacy of its resources, review and, if applicable, approve the scope of its mission and letter of engagement, and recommend its compensation to the Board.
- 10.1.3 Ensure the competence and independence of the audit firm's partner in charge of the Bank's account, and ensure a periodic rotation of that person.
- 10.1.4 Approve the external audit plan and ensure that the scope is appropriate, risk-based, and that it addresses major areas of concern.
- 10.1.5 Approve the external auditor's oversight policy.
- 10.1.6 Approve the policy on approval of services provided by the external auditor (including non-audit-related services) and regarding the hiring of partners, employees and former partners and employees of external auditors.
- 10.1.7 Determine if a periodic comprehensive evaluation of the external auditor is necessary.
- 10.1.8 Disclose the results of the external auditor's annual evaluation, as well as the processes and criteria used to arrive at that evaluation.

*With respect to financial reporting:*

- 10.1.9 Oversee the integrity and quality of financial statements and ensure that the institution's accounting practices are prudent and appropriate.
- 10.1.10 Discuss the quality of financial statements with the external auditor and ensure that the financial statements fairly present the Bank's financial situation, results, and cash flows.
- 10.1.11 Discuss the audit results, financial statements and related documents, audit report and any related concern of the external auditor with Management and the external auditor.
- 10.1.12 Hold regular meetings with the external auditor (without the presence of Management) to understand all issues that may have been discussed during meetings between the auditor and Management in the course of the audit and how those issues were resolved, as well as to determine the extent to which accounting practices being used by the Bank are appropriate relative to the importance of the issue.
- 10.1.13 Review the external auditor's recommendation letter which follows the annual audit and the corresponding follow-ups, significant changes to accounting practices, the main value judgments on which the financial reports are based, and how these reports are drafted.
- 10.1.14 Review the annual and interim financial statements, management reports and the press releases regarding annual and interim results, the annual information form, as well as any statement required by regulatory authorities prior to their publication and recommend their adoption by the Board.
- 10.1.15 Review prospectuses relating to the issuance of securities of the Bank.
- 10.1.16 Examine all investments and transactions likely to undermine the Bank's financial situation that are reported by the external or internal auditor or an officer, including loans referred to in Section 328 of the Bank Act, and meet with the external auditor to discuss them.
- 10.1.17 Recommend the declaration of dividends to the Board and review the related press release.
- 10.1.18 Review the annual financial statements of the subsidiaries supervised by the Office of the Superintendent of Financial Institutions (Canada) and recommend their adoption by the Board of Directors for each of the subsidiaries.
- 10.1.19 If applicable, review and approve transfers of tax between the Bank and its subsidiaries.
- 10.1.20 Review and approve the financial statements of the pension plans offered by the Bank to its employees.

*With respect to the internal audit function:*

- 10.1.21 Approve the charter of the internal audit function.

- 10.1.22 Approve the selection and ensure the competence and independence of the officer in charge of internal audits.
- 10.1.23 Ensure that internal audit activities have a sufficient status, degree of independence and visibility, and that they are subject to periodic reviews.
- 10.1.24 Approve the internal audit plan and ensure that its scope is appropriate, risk-based, that it addresses major areas of concern, and that it is reviewed with appropriate frequency.
- 10.1.25 Discuss the material findings and recommendations with the officer in charge of internal audits, and follow up on them.
- 10.1.26 Periodically review the performance of the officer in charge of internal audit.

*With respect to internal controls:*

- 10.1.27 Ensure that Management implements appropriate internal controls and management information systems; review, assess and approve such systems, and ensure their integrity and effectiveness, including the elements comprised in any certification required by regulations.
- 10.1.28 Meet with the external auditor, the officer in charge of internal audits and Management to discuss the effectiveness of the implemented internal control and management information systems and the measures taken to rectify any material weaknesses and deficiencies.
- 10.1.29 Ensure that Management implements procedures regarding the receipt, retention and handling of complaints received with respect to accounting and internal accounting or audit controls, as well as regarding anonymous submissions by employees on questionable accounting or audit matters.
- 10.1.30 Approve the policy on the handling of complaints and comments about suspicious accounting activities and ensure that the policy is respected.

*With respect to supervisory agencies:*

- 10.1.31 Meet with regulatory authorities, discuss their findings and recommendations, and follow up on them.

**10.2 Communication and Disclosure Functions**

- 10.2.1 Approve the way by which shareholders and other stakeholders can communicate with the Bank.
- 10.2.2 Ensure that adequate procedures are in place to examine the communication of financial information to the public excerpted or derived from financial statements.
- 10.2.3 Recommend to the Board of Directors that they approve the financial information disclosure policy and ensure that the policy is respected.
- 10.2.4 Report to shareholders on the Bank's performance.

## **11. Reporting**

The Committee reports on its activities to the Board of Directors verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to shareholders through the Bank's Management Proxy Circular.



**Schedule N**  
**MANDATE OF THE RISK MANAGEMENT COMMITTEE**

**1. Establishment**

The Risk Management Committee (the “Committee”) is constituted by the Board of Directors to support it in exercising its oversight functions.

The Committee reviews its mandate annually.

**2. Appointment and Membership**

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. The Committee must be comprised of members who are not employees or officers of the Bank or a subsidiary and a majority of whom are not affiliated with the Bank.

Unless they are replaced in the interim by decision of the Board, the Committee members remain in office until the Board meeting that follows the next annual meeting of shareholders.

**3. Compensation**

Committee members receive the compensation for their services established by resolution of the Board.

**4. Meetings**

The Committee meets at least once every quarter.

Committee meetings may be held without notice (provided the members waive such notice) as often as the members deem appropriate and at the location determined by them.

The external auditor receives notice of, and may attend, Committee meetings.

**5. Quorum**

Quorum at Committee meetings is constituted by a majority of the members.

**6. Chair**

As designated by the Board of Directors, the Committee Chair chairs the Committee meetings. In the Chair’s absence, the members present may elect a Chair *pro tempore* from among themselves.

**7. Procedure**

The procedure for Committee meetings is the same as that for meetings of the Board of Directors.

**8. Powers of the Committee**

In carrying out its mandate, if it deems appropriate, the Committee may:

- (a) call a meeting of directors;

- (b) communicate or meet privately with any officer or employee of the Bank, as well as with its internal or external auditors;
- (c) call on the services of external resources independent of the Bank and determine and pay the related fees in compliance with the Board's policy regarding the use of external advisors.

## **9. Secretary**

The Secretary of the Bank or any other officer designated by the President of the Bank carries out the duties of the secretary with respect to the Committee's mandate and those assigned by the Committee Chair.

## **10. Functions**

The Committee fulfills its statutory obligations in matters of review and exercises the following functions delegated to it by the Board, as well as any other functions that may be delegated to it by the Board from time to time:

### **10.1 Oversight Functions**

*With respect to risk management:*

- 10.1.1 Ensure that Management identifies the organization's principal risks and implements systems to measure and adequately manage them, and provides for the integrity and effectiveness of such systems.
- 10.1.2 Approve the risk appetite and recommend the approval of the Risk Appetite and Management framework to the Board.
- 10.1.3 Approve or recommend the approval of other policies that form an integral part of the risk management framework to the Board (except those which are the responsibility of another Committee), and ensure their compliance (see Appendix).
- 10.1.4 Approve the selection and ensure the competence and independence of the officer in charge of risk management.
- 10.1.5 Approve the risk management function's mandate and objectives.
- 10.1.6 Ensure that risk management activities have a sufficient degree of independence, status and visibility, and that they are subject to periodic reviews.
- 10.1.7 Discuss important findings and recommendations with the officer in charge of risk management and follow up on them.
- 10.1.8 Ensure that Management establishes investment and lending policies, standards and procedures in accordance with Section 465 of the Bank Act and ensure compliance with them.
- 10.1.9 Review and, if applicable, approve loans and advances that, under the terms of credit policies, are the Committee's responsibility, and examine the quality of the loan portfolio and adequacy of allowances for loan losses.

- 10.1.10 Ensure that Management adopts a process to determine the appropriate capital level for the Bank based on assumed risks.
- 10.1.11 Approve the Code of Ethics and Privacy Code for the Protection of Personal Information applicable to officers and employees, and ensure compliance with them.
- 10.1.12 Ensure that Management implements mechanisms for resolving conflicts of interest, including measures to trace potential sources of such conflicts and restrict the use of confidential information, and oversee the application of these mechanisms.
- 10.1.13 Ensure that Management establishes mechanisms for communicating to the Bank's clients the information that must be disclosed to them, as well as procedures for dealing with complaints by clients as required under subsection 455 (1) of the Bank Act, including the complaint investigation procedure, and supervise the application of those mechanisms.
- 10.1.14 Receive the ombudsman's report.
- 10.1.15 Review and, if applicable, recommend to the Board the delegation of general signature powers to the Bank's officers and approve the delegation of specific signature powers to certain officers and employees.
- 10.1.16 Meet with regulatory authorities, discuss their findings and recommendations, and follow up on them.

*With respect to regulatory risk management:*

- 10.1.17 Recommend that the Board approve the regulatory risk management policy and ensure that it is respected.
- 10.1.18 Approve the Money Laundering and Terrorist Financing Policy and ensure that it is respected.
- 10.1.19 Approve the selection and ensure the competence and independence of the officer in charge of regulatory risk management.
- 10.1.20 Ensure that regulatory risk management activities have a sufficient degree of independence, status and visibility, and that they are subject to periodic reviews.
- 10.1.21 Discuss the material findings and recommendations with the officer in charge of regulatory risk management and follow up on them.

*With respect to compensation:*

- 10.1.22 In collaboration with the Human Resources and Corporate Governance Committee, review annually the alignment of the Bank's compensation, performance and risk with the compensation principles and standards of the Financial Stability Board.

10.2 Review Functions

- 10.2.1 Ensure that Management establishes mechanisms for complying with Part XI of the Bank Act.
- 10.2.2 Review these procedures and their effectiveness.
- 10.2.3 Review practices to ensure that any transactions with related parties that may have a material effect on the stability or solvency of the Bank are identified.
- 10.2.4 Review and, if applicable, approve the transactions referred to in Part XI of the Bank Act as required.
- 10.2.5 Report on the Committee's review activities to the Superintendent of Financial Institutions on behalf of the Board.

**11. Policies**

The Committee reviews and, if applicable, approves the policies identified by the Board.

**12. Reporting**

The Committee reports on its activities to the Board of Directors verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to shareholders through the Bank's Management Proxy Circular.

**APPENDIX**

**List of Policies, Plans, Procedures and Codes**  
**which form an integral part of the Risk Appetite and Management Framework**

<i>Policies</i>	<i>Owners <sup>(1)</sup></i>
1. Risk Appetite and Management Framework	Risk Management
2. Regulatory Risk Management Policy	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office
3. Treasury and Capital Markets Risk Management Policy	Risk Management
4. Capital Management and Adequacy Policy	Risk Management
5. Credit Policies	Credit
6. Operational Risk Management Policy	Risk Management
7. Supplier Risk Management Policy	Risk Management
8. Information Security Management Policy	Information Technology
9. Personal Information Protection Policy ("Privacy")	Information Technology
10. Professional Responsibility Risk Management Policy	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office
11. Change Approval Policy	Finance & Control
12. Cost of Funds Transfer Pricing Management Policy	Finance & Control
13. Money Laundering and Terrorist Financing Policy	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office
14. Reputation Risk Management Policy	Risk Management
15. Business Continuity Management Policy	Risk Management
16. Management Policy on Gross Income Distribution for Regulatory Capital	Risk Management
17. Financial Instruments Fair Valuation Policy	Risk Management
18. Enterprise-Wide Model Risk Management Policy	Risk Management
19. Policy on Insiders and Prohibited Transactions on Bank Securities	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office
20. Capital Plan	Corporate Treasury
21. Complaint Management Procedures	Client Experience
22. Codes of Conduct	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office
23. Privacy Code for the Protection of Personal Information	Legal Affairs, Regulatory Risk Management and Corporate Secretary's Office

<sup>(1)</sup> The owner of a policy is responsible for its revision, supervision and application.

**Schedule O**  
**POSITION DESCRIPTION OF THE BOARD CHAIR**

The functions of the Board Chair are:

1. providing leadership to the Board and presiding its meetings;
2. presiding the annual and special shareholders' meetings;
3. ensuring that the Board efficiently discharges its duties;
4. ensuring that the agenda of the Board meetings are adequately prepared and that important issues are discussed;
5. ensuring proper flow of information to the Board, reviewing adequacy and timing of documentary materials;
6. directing Board discussions by fostering open but efficient exchanges;
7. leading the periodical performance review of the Board, of its committees, and of each of its members;
8. representing the organization before different authorities; and
9. acting as liaison between the Board and management.

The Board Chair is not a member of management.

**Schedule P**  
**POSITION DESCRIPTION OF A COMMITTEE CHAIR**

The functions of the Chair of a committee are:

1. providing leadership to the committee and presiding over its meetings;
2. ensuring that the committee efficiently discharges its duties;
3. ensuring that the agenda of the committee meetings are adequately prepared and that important issues are discussed;
4. ensuring proper flow of information to the committee, reviewing adequacy and timing of documentary materials;
5. directing committee discussions by fostering open but efficient exchanges;
6. acting as liaison between the committee and the Board.

**Schedule Q**  
**POSITION DESCRIPTION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**

In accordance with the Bank Act (Canada), the President and Chief Executive Officer is responsible for the day-to-day management and operations of the Bank. The primary responsibility of the President and Chief Executive Officer is the faithful discharging of duties. In doing so, the President and Chief Executive Officer must act with honesty, in good faith and in the best interests of the Bank, while exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The functions of the President and Chief Executive Officer include:

1. ensuring that the day-to-day business and affairs of the Bank are appropriately managed;
2. maintaining a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of top-quality employees at all levels;
3. developing and recommending to the Board of Directors a long-term strategy and vision for the Bank;
4. developing and recommending to the Board of Directors business plans and annual budgets that support the Bank's long-term strategy;
5. providing the Board of Directors and its committees with adequate information regarding the various subjects to be submitted to the Board;
6. overseeing the preparation of accurate financial statements which comply with applicable accounting rules and applicable laws (GAAP and accounting rules specified by the Office of the Superintendent of Financial Institution (Canada)) and which, together with the other financial information included in the continuous disclosure documents of the Bank, fairly present the financial condition of the Bank;
7. consistently striving to achieve the Bank's financial and operating objectives;
8. implementing appropriate systems, policies or programs to:
  - identify and manage risks;
  - ensure compliance of the Bank's operations with applicable laws; and
  - ensure the integrity of the Bank's internal controls and management of information systems;
9. ensuring continuous improvement in the quality and value of the products and services offered by the Bank;
10. taking appropriate steps to allow the Bank to achieve and maintain a satisfactory competitive position;
11. ensuring that the Bank has an effective management team, and has an active plan for its development and succession;
12. formulating and overseeing the implementation of major corporate policies;
13. maintaining a culture of integrity throughout the Bank; and



14. serving as the chief spokesperson for the Bank.

The President and Chief Executive Officer reports to the Board of Directors.

**Schedule R**  
**MAJORITY VOTING POLICY**

The Board of Directors has adopted majority voting rules pursuant to which a nominee for election as director who does not receive the required minimum number of votes (50% + 1 vote in his/her favor) at the annual meeting of shareholders is deemed not to have received the support of shareholders (even though he/she was elected in accordance with the Bank's General By-Laws) and will be required to immediately tender his/her resignation. His/her resignation will be effective as soon as the Board accepts it. Within 90 days of the shareholders' meeting, the Board must examine the resignation submitted at a meeting in which the director in question will not participate and promptly announce, through a news release that shall be transmitted to the Toronto Stock Exchange, the resignation of the director or the reasons for not accepting the resignation. A resignation would only be refused under exceptional circumstances. These rules only apply to uncontested elections.