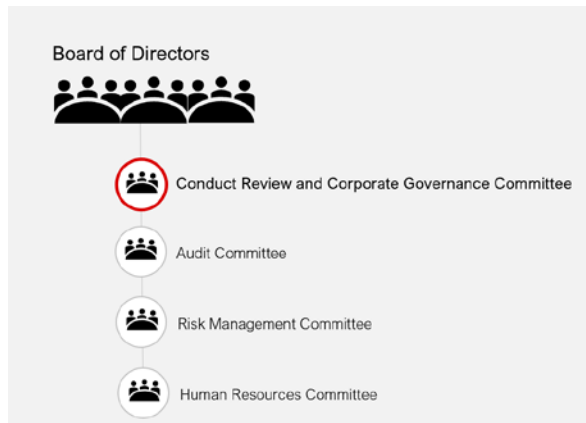


Conduct Review and Corporate Governance Committee

Composition, meetings and responsibilities



The Board of Directors of the Bank (the Board) delegates some of its powers to committees. This document describes the mandate of the Conduct Review and Corporate Governance Committee (the "Committee").

In short, this Committee must keep abreast on current environmental and social responsibility and governance ("ESG") trends to ensure that the Bank has sound practices in this regard and complies with current legislation. It must also ensure that

directors, officers and employees act in an ethical and responsible manner.

Specifically, it must ensure that the Board has the required composition and that directors have the skills needed; it must plan for their succession, and divide roles and responsibilities between the Board and its committees. It also oversees the assessment of the Board, its committees and Chairs.

The Committee also plays a role with clients, shareholders and the public at large to ensure that their complaints are properly handled.

Finally, it must ensure that mechanisms are in place to avoid prohibited financial transactions between the Bank and related parties.

A detailed description of the Committee's composition and mandate is provided below.

1 Composition

1.1 Composition of the Committee

- Appointed by the Board and composed of Board directors
- Minimum of three members
- A majority of the members consists of directors who are not affiliated with the Bank; no employee or officer of the Bank or one of its subsidiaries may therefore be part of it.
- Members appointed by the Board upon recommendation from the Committee
- One Chair, appointed by the Board from among the Committee members
- One secretary, who is the secretary of the Bank, an assistant secretary or any other person designated by the secretary of the Bank

1.2 Chair of the Committee

- The duties of the Committee Chair are set out in the mandate of the Chairs. The Committee Chair may ask the Chair of the Board to have certain matters for which the Committee is responsible submitted to the Board.

1.3 Selection criteria for Committee members

Have the required skills and knowledge

- Every member must understand governance-related issues. If this is not the case when they are appointed, the member must be able to acquire the required knowledge or expertise within a reasonable timeframe after being appointed.

Be independent

- Every member must be independent as defined by the Canadian Securities Administrators.

Comply with the limit for the maximum number of members who can be affiliated with the Bank

- A majority of members of the Committee must consist of directors who are not affiliated with the Bank in accordance with the *Bank Act*.

1.4 Term of mandate for Committee members

Undetermined duration

All members carry out their duties until a successor is appointed, or until they:

- resign
- are relieved of their duties
- no longer sit as Board directors

The composition of the Committee is reviewed every year.

Replacing a member after their departure during the year (vacancy)

- A vacancy on the Committee is filled by the Board as it deems appropriate.
- If it does not appoint a new member and the Committee has the required minimum number of members, the Committee's decisions will be valid.

2 Meetings

2.1 Dates of meetings

A. Regular meetings scheduled in advance

- At least one meeting per quarter
- Dates, times, goals and locations of meetings are set in advance by the Board for the entire year. This information is sent to members at the beginning of the year. No other notice is sent.

B. **Unscheduled meetings called during the year (as needed)**

Who may call them?

- Unscheduled meetings may be called by:
 - ✓ The Chair of the Committee
 - ✓ Any other Committee member
 - ✓ The Chair of the Board
 - ✓ The President and Chief Executive Officer

Date, time and location of such a meeting

- The date, time, goal and location of the meeting are sent by any means of communication, without any required additional notice. The notice also states the purpose of the meeting.

Notice of meeting required unless exception:

- *24-hour notice:* Members must be advised about an unscheduled meeting no less than 24 hours before the time and date set for the meeting.
- *Waiver of notice:* The presence of a member at a meeting constitutes a waiver of this notice of meeting, except if this member is present to specifically oppose the review of any issue, claiming that the meeting was not called in due form.
- *Exception No. 1 – Two-hour notice:* The notice may be sent two hours in advance if there is an emergency called by the Chair of the Board, the Chair of the Committee or the President and Chief Executive Officer.
- *Exception No. 2 – Without notice:* An unscheduled Committee meeting may be held without notice when all Committee members are present or when the absent members provide a written waiver of notice of the meeting.

C. **Exceptional meetings of the Board to review matters of interest to the Committee**

- The Committee Chair may call a meeting of the Board to discuss matters of interest to the Committee.

2.2 **Attendance: in person or remotely**

- Meetings may be held by telephone or via any other means that enable all members to communicate with each other adequately and simultaneously. The person participating remotely is presumed to be in attendance.

2.3 **Individuals who may be invited to meetings**

President and Chief Executive Officer

- He or she may attend every meeting of the Committee.

Independent Auditor

- He or she is entitled to receive the notices for Committee meetings, attend discussions involving related parties and express their opinion.

Any other person invited by the Committee

- They can attend part of or the entire meeting, based on what has been agreed with the Committee.

Exclusion of guests (in camera meeting)

- Part of the meeting must always take place in the absence of the President and Chief Executive Officer or any other Bank officer.

2.4 Minimum number of members required to hold a Committee meeting (quorum)

- **A majority of the Committee members must be present:** If a member is temporarily absent from a meeting because the topic discussed puts them in a conflict of interest, they will be considered to be present for the meeting (subsection 182(3) of the *Bank Act*).
- **Not enough members present for quorum?** The Committee Chair can ask the Chair of the Board to act as a member of the Committee for this meeting and give them voting rights, unless the Chair of the Board is already a member of the Committee.
- **Is the Chair unavailable to attend?** The Committee selects a Chair from the Committee members present at the meeting or asks the Chair of the Board to chair the meeting.

2.5 Vote

- All decisions to be made by the Committee must be voted on.
- **Majority vote:** The decisions voted on by the Committee must be approved by a majority vote of the members present.
- **Unanimous vote if the meeting only includes two members:** If the Committee is composed of three members and only two members attend a meeting, the decisions to be voted on must be passed unanimously.

2.6 Minutes of meetings

- **Minutes:** The secretary is responsible for drafting the minutes after each Committee meeting. These must be approved by Committee members before being filed with the records of minutes. These minutes are provided to all directors at the next Board meeting for information purposes.
- **Oral report of the Chair to the Board:** The Committee Chair must present an oral report on the deliberations and recommendations of the Committee at the next Board meeting.

3 Governance role and responsibilities

3.1 Role and responsibilities regarding ESG

- The Committee must keep abreast on exemplary ESG practices.
- It must periodically review the practices in effect at the Bank and make recommendations to improve them.
- It must approve all the amendments to these practices, except if the amendments must be submitted to the Board for approval.
- It must ensure that the Bank conducts its activities in accordance with these practices and oversee the Bank's strategy regarding ESG. It must review the decisions made by senior management and play an advisory role, as needed.

3.2 Role and responsibilities toward to the Board

A. Composition of the Board

Size and composition of the Board

- The Committee periodically reviews the size and composition of the Board to ensure that these components enable the Board to be effective and comply with the legislation in effect.

- *Review criteria:* (1) skills, aptitudes, diversity and experience sought by the Board for directors (2) requirements set out by the legislation in effect.
- The Committee reviews and approves the policy concerning the term of the mandate of directors, unless it is an exception that must be submitted to the Board.

Selection criteria for directors

- The Committee develops and periodically reviews selection criteria to elect or re-elect directors (independence, eligibility, availability, conflicts of interest, etc.)
 - *Review criteria:* (1) requirements set out by the legislation in effect (2) expectations as well as current and future needs of the Board regarding the knowledge, skills and experience of directors (3) goals of the Board regarding the independence of members and the absence of conflicts of interest and (4) other relevant objectives expressed by the Board.

Succession planning

- The Committee handles succession planning for the directors, the Chair of the Board, and the Chairs of the Board's committees. This planning is done in partnership with the Chair of the Board.
- The Committee develops the selection process for new directors, taking into account the selection criteria and makes recommendations to the Board.

Re-election of directors and renewal of the mandate of the Chair of the Board

- Every year, the Committee assesses whether the directors who are candidates for re-election meet the selection criteria.
 - *Assessment criteria:* independence, eligibility, availability and absence of conflict of interest. The committee assesses the absence of conflicts of interest by regularly reviewing the list of boards on which the Bank's directors serve.
- Every year, the Committee also recommends to the Board to renew or not the mandate of the Chair of the Board.
 - *Assessment criteria:* (1) assess to what extent the Chair of the Board has assumed their responsibilities and fulfilled their mandate (2) determine if they are the best candidate in light of the Bank's situation and challenges at that point in time.
- As part of the Bank's annual Meeting of Shareholders, the Committee assesses resignation notices submitted in accordance with the Bank's Majority Voting Policy and recommends to the Board whether or not to accept the resignations under the terms of this policy.

B. Skills and performance of the directors and the Board

Training of directors

- The Committee puts in place an orientation program for new directors and an ongoing training program pertaining to the activities of the Bank and its subsidiaries for all directors of the Board.
 - *The development of these programs considers:* (1) knowledge levels of directors (2) needs of the different directors of the Bank (3) regulatory requirements.

Assessment of the performance and effectiveness of the practices of the Board and its directors

- The Committee periodically assesses the performance and effectiveness of the practices of the Board, the Chair of the Board, the Chairs of committees, committee members and directors.
- It reviews the results of these assessments.
- It may be assisted by independent external consultants.
- It makes appropriate recommendations to the Board, and follows up on these recommendations, as needed.

C. Responsibilities of the Board

Review of the mandate of the Board

- The Committee reviews the Board's mandate, which describes its roles and responsibilities. It then recommends its approval to the Board.

Drafting and review of the mandate of the Chair of the Board

- The Committee drafts and reviews the mandate of the Chair of the Board and recommends its approval to the Board.

D. Director compensation and allowances

Review of compensation and compensation method

- The Committee reviews the compensation and compensation method for the Chair of the Board, the Chairs of the committees, the committee members and its directors. It sends its recommendations to the Board.
- The Committee periodically reviews the Bank's share ownership guidelines which specify the minimum number of shares and deferred stock units that directors must hold.

Underwriting of a civil liability insurance policy or indemnification agreement

- The Committee examines the Bank's underwriting of a civil liability insurance policy or signing of an indemnification agreement in favour of the directors and officers of the Bank and its subsidiaries.

3.3 Role and responsibilities toward all committees

A. Composition of committees

Review of the composition of committees

- The Committee reviews the composition of every committee of the Board.
- As needed, it recommends the creation of additional committees or the dissolution of committees.

Appointment of committee Chairs and members

- The Committee recommends to the Board the appointment of Chairs and members to serve on the Board's committees.
 - *Appointment criteria:* (1) legislative requirements, (2) current and future needs of the Board regarding the knowledge, skills and experience of directors (3) specific needs of the Bank.

- The Committee may recommend to the Board the appointment of a director to serve on a Board committee when a director leaves the committee (vacancy).

B. Responsibilities of committees

Drafting and review of the committee mandates

- The Committee drafts and reviews the mandate of the Board's committees, including its own mandate.
- As needed, it recommends changes to the mandate of the committees.
- If the mandate is amended, it must be approved by the committee concerned and by the Board.

Drafting and review of the mandates of the Chairs of the committees

- The Committee drafts and reviews the mandates of the Chairs of the Board committees and recommends their approval to the Board.
- The Board's approval must be given in the absence of any officer and Chairs of the Board committees.

3.4 Role and responsibilities regarding the ethical standards to be observed by directors, officers and employees

A. Conduct and ethical behaviour

Review and approval of the *Code of Conduct and Ethics* and other standards

- The Committee periodically reviews and approves conduct and ethical behaviour standards that must be observed by the directors, officers, employees and partners of the Bank and its subsidiaries, including the Code of Conduct and Ethics.

Report to the Committee by Management

- The Committee must require that Management report to it on the existence of processes guaranteeing compliance with these conduct and ethical behaviour standards.
- It must also require that Management notify it in a timely manner of all important cases of non-compliance with conduct and ethical behaviour standards, i.e., cases that could have a significant negative impact on the image and reputation of the Bank and its subsidiaries.

B. Determination, assessment and resolution of conflicts of interest

- The Committee oversees the implementation of procedures to determine, assess and resolve conflicts of interest approved by the Board.
- Specifically, it oversees the implementation of measures to identify potential conflict situations and restrict the use of confidential information.

3.5 Role and responsibilities with regard to the transparency of the Bank toward its clients, shareholders and the public

A. Information to provide to clients of the Bank

- Legislation requires that specific information be disclosed to clients of the Bank. Information communication mechanisms and procedures are therefore approved by the Board.
- The Committee oversees the application of these mechanisms and procedures.

B. Management of client complaints

- Clients of the Bank can make complaints if they are dissatisfied. This is also valid for any individual who submits an application for Bank products and services without being a client. The complaint review mechanisms and procedures are approved by the Board.
- The Committee oversees the application of these mechanisms and procedures.
- The Committee ensures that subordinates (officers or other agents) are designated to apply these mechanisms and procedures and handle these complaints.
- The Committee reviews periodic complaint handling reports prepared by the Client Ombudsman.

C. Follow-up on the feedback of clients, shareholders and the public

- Sound and transparent communication implies being aware of the feedback of clients and shareholders. It is a legislative requirement.
- The Committee oversees the application of measures aimed at collecting the feedback of shareholders, the public and any other person interested in sharing their feedback, including the Shareholder Engagement Policy.
- The Committee notably reviews the proposals of shareholders, responses provided to the Bank to these proposals and any other related topic.

3.6 Role and responsibilities concerning the Bank's disclosure

- The Committee approves any regulatory documents that falls under its responsibility under the law.
- The Committee recommends the approval by the Board of these regulatory documents, as applicable.

3.7 Role and responsibilities concerning the Bank's subsidiaries

- The Committee may also act as review committee for the Natcan Trust Company in accordance with the *Trust and Loan Companies Act* (Canada).
- The Committee may also, as needed, act as governance committee for any other subsidiary of the Bank where allowed under its incorporating act. In that case, it fulfills all the duties falling upon such committee, in accordance with the legislation in effect.

4 Role and responsibilities regarding related parties

4.1 What is a related party

- Related parties are individuals who make important decisions for the Bank and have a certain control over the Bank (e.g., directors and certain Bank officers).
- The Bank must fulfill the requirements set out by *Related Party Transactions (Banks) Regulations, Bank Act* to monitor their debt levels with the Bank.

4.2 Mechanisms to follow up on transactions with related parties

- The Committee ensures that Management implements mechanisms to ensure compliance with *Bank Act* requirements. It periodically reviews these mechanisms to ensure their effectiveness.

5 Powers

5.1 Hiring independent external consultants

- The Committee may hire legal advisors or other independent external consultants to assist it in fulfilling its responsibilities.
- The Committee sets and pays the its consultants compensation. The Bank provides the funds necessary to pay for the services provided by these consultants.

5.2 Investigating and having access to the books, registries, premises, officers and employees

- The Committee may investigate any issue it deems relevant. To conduct its investigation, it may have full access to the Bank's books, registries, premises, officers and employees.

5.3 Delegating powers to a sub-committee

- The Committee may, at its discretion, designate a sub-committee to review any issue raised by the current mandate.

5.4 Contacting officers and employees directly

- The Committee may contact the Vice-President – Legal Affairs and Corporate Secretary and any other Bank officer or employee directly.

5.5 Performing any duties assigned to it or stipulated by law

- The Committee performs any duty required by the legislation in effect or any duty assigned to it by the Board from time to time.
- The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.

Approved by the Committee and the Board on February 27, 2019