

# Board Mandate

## Table of Contents

- 1 Introduction .....2**
  - 1.1 Intent .....2
  - 1.2 Scope and audience .....2
  - 1.3 Review cycle .....2
- 2 Duties and Responsibilities .....2**
  - 2.1 Management oversight.....2
  - 2.2 Strategy .....3
  - 2.3 Risk management .....4
  - 2.4 Financial information and systems and internal controls .....4
  - 2.5 Communications .....5
  - 2.6 Board effectiveness and corporate governance .....5
  - 2.7 Subsidiaries.....6

# 1 Introduction

## 1.1 Intent

The Board of Directors (the “Board”) of Tru Cooperative Bank (“Tru” or the “Cooperative Bank”) is responsible for the stewardship of the Cooperative Bank and overseeing the management of the Cooperative Bank’s business and affairs. The Board will perform such duties and approve such matters as may be required by the *Bank Act* (Canada) (the “Bank Act”), the Office of the Superintendent of Financial Institutions (“OSFI”) and other applicable legislation and regulation. In doing so, the Board will respect co-operative principles in fulfilling its responsibilities and ensure that the Cooperative Bank is operating in accordance with such principles.

The Board is responsible for providing challenge, advice, and guidance to management as appropriate on operational, business, risk, and crisis management policies of the Cooperative Bank. The Board may discharge its responsibilities by delegating certain duties to Committees of the Board (each a “Committee”) and to management. The specific duties delegated to each Committee of the Board are outlined in the mandates for those Committees.

## 1.2 Scope and audience

The Board will have unrestricted access to management and employees of the Cooperative Bank and authority to retain, oversee, and terminate external counsel, consultants, and other advisors to assist it in fulfilling its responsibilities. The Cooperative Bank will provide funding, as determined by the Board, for the service of an advisor.

## 1.3 Review cycle

The Board will review its Mandate at least annually.

# 2 Duties and Responsibilities

## 2.1 Management oversight

The Board has the responsibility to:

- 2.1.1 Appoint the Chief Executive Officer (CEO), evaluate the CEO’s performance, and, if necessary, remove and replace the CEO, which aforementioned responsibilities will exclude the Director who is the CEO.
- 2.1.2 Appoint and evaluate the performance of the executive team, including the heads of independent oversight functions.

- 2.1.3 As necessary review, and if it sees fit, approve the dismissal of the heads of independent oversight functions.
- 2.1.4 Evaluate and approve compensation for the CEO and the executive team, including the heads of independent oversight functions.
- 2.1.5 Review and approve the compensation philosophy and guidelines for the CEO and the executive team with consideration for the Cooperative Bank's risk appetite and strategic plan.
- 2.1.6 Oversee succession planning, ensuring there are succession plans in place for the CEO, members of the executive team and the heads of independent oversight functions.
- 2.1.7 Ensure there are criteria and processes for recognition, promotion, development, and appointment of management consistent with the future leadership requirements of the Cooperative Bank.

## **2.2 Strategy**

The Board oversees the development of the Cooperative Bank's strategic plan and priorities. In carrying out this responsibility, the Board will consider the Cooperative Bank's risk appetite, risk profile, capital and liquidity levels, emerging trends, and the competitive environment. The Board has responsibility to:

- 2.2.1 Participate in the formulation of the Cooperative Bank's strategic plan, and annually approve and oversee the Cooperative Bank's strategic, financial, and capital plans.
- 2.2.2 Monitor the implementation and effectiveness of Tru's strategic plan and make changes as required.
- 2.2.3 Monitor corporate and financial performance against Tru's strategic plan and act when performance falls short of the agreed-upon goals or special circumstances warrant such action.
- 2.2.4 Direct management to develop, implement, and maintain a reporting system that accurately measures Tru's financial and operational performance against the performance expectations set out in its strategic and operating plans, and, where relevant, against external data.

## **2.3 Risk management**

The Board has responsibility to:

- 2.3.1 Approve and oversee the Cooperative Bank's Risk Appetite Governance Framework and Enterprise Risk Governance Framework
- 2.3.2 Ensure adequate processes are in place to identify significant and emerging risks
- 2.3.3 Review and assess the internal and external control systems management uses
- 2.3.4 Review and assess reports on the management of material risks to the Cooperative Bank
- 2.3.5 Ensure processes, procedures and mechanisms are established by which key risks are identified and ensure that strategies are developed to manage key risks. The principal mechanisms through which the Board reviews risks are the Risk Committee, the strategic planning process and regular risk reviews by the Board.

## **2.4 Financial information and systems and internal controls**

The Board has responsibility to:

- 2.4.1 Verify through the Audit Committee that management has established and is applying appropriate audit, accounting, and financial reporting principles.
- 2.4.2 Oversee and monitor the integrity and effectiveness of the Cooperative Bank's internal controls over financial reporting and compliance with applicable legislation and regulation, accounting and financial reporting requirements.
- 2.4.3 At least annually, review the effectiveness of the Cooperative Bank's internal control frameworks and, when necessary, direct management to correct any material control issues identified in such reviews.
- 2.4.4 Review and approve, as recommended by the Audit Committee and management, such financial statements, regulatory returns, and annual reports as are required to be approved by the Board.
- 2.4.5 Recommend the appointment of the external auditors to the Cooperative Bank's members.
- 2.4.6 Upon the recommendation of the Audit Committee, approve the scope of external auditor engagement and remuneration.
- 2.4.7 Upon the recommendation of the Risk Committee, approve updates to the Internal Capital Adequacy Assessment Process (ICAAP) document.

## **2.5 Communications**

The Board has responsibility to:

- 2.5.1 Ensure Tru has a plan in place to communicate effectively with members, employees, interested parties, and the public.
- 2.5.2 Ensure financial results are reported fairly and in accordance with International Financial Reporting Standards.
- 2.5.3 Report annually to members on the Board's stewardship for the preceding fiscal year through the annual report, audited financial statements, and other information as may be required by the applicable legislation and regulation.

## **2.6 Board effectiveness and corporate governance**

The Board retains responsibility for managing its own affairs, including responsibility to:

- 2.6.1 Establish and update governance practices and procedures, as required
- 2.6.2 Operate independently from management and, when necessary, take the requisite steps as are needed to operate independently from management
- 2.6.3 Plan its composition, and select the Board Chair, Vice-Chair, Committee Chairs and Committee members
- 2.6.4 Regularly assess the skills, competencies, and attributes of Directors, approve Director recruitment profiles, and provide necessary information to the Governance Committee
- 2.6.5 Approve orientation and professional development programs for Directors
- 2.6.6 Ensure annual review and sign-off by Directors of the Board Code of Conduct and Conflict of Interest Policy
- 2.6.7 Recommend new or amended Bylaws to the membership
- 2.6.8 Examine the effectiveness of the Board, its Committees, the Board Chair, Committee Chairs and Directors through an annual evaluation process
- 2.6.9 Ensure all Committees of the Board annually review their mandates and work plans and approve recommended amendments to same
- 2.6.10 Request and obtain appropriate certification from management which certifies that the Cooperative Bank is in compliance with applicable legislation and regulations and OSFI guidelines

2.6.11 Appoint, and as it sees fit, dismiss the Corporate Secretary.

## **2.7 Subsidiaries**

For subsidiaries, the Board has responsibility to:

2.7.1 Approve their creation and establish their purpose

2.7.2 Review their strategic plans and annual operating and capital budgets

2.7.3 Review their compliance with applicable legislation and regulation

2.7.4 Monitor their financial and operational performance as part of their review of the Cooperative Bank's performance