

Corporate Governance

Central 1 Credit Union (Central 1) was incorporated as B.C. Central Credit Union on May 25, 1944. Central 1 is a central credit union governed by the *Credit Union Incorporation Act* (British Columbia) (CUIA). In 1970, B.C. Central Credit Union merged with the British Columbia Credit Union League, which, at that time, was the service corporation and trade association for the province’s credit unions.

B.C. Central Credit Union changed its name to Credit Union Central of British Columbia on January 1, 1996 and subsequently changed its name to Central 1 Credit Union effective June 30, 2008. Central 1 Credit Union combined businesses with Credit Union Central of Ontario pursuant to an asset purchase transaction on July 1, 2008 to form Central 1 Credit Union. Central 1’s Constitution and Rules can be found on the public website, www.central1.com on the Governance & Leadership page.

Membership in Central 1

Membership in Central 1 is restricted to credit unions incorporated in the Provinces of British Columbia and Ontario, cooperative associations and other corporate entities, including a number of credit unions and central credit unions incorporated under the laws of other jurisdictions. The Rules restrict membership in Central 1 to incorporated organizations that qualify as Class A Members, Class B Members or Class C Members in accordance with the requirements below:

- (i) Class A Members are: (a) credit unions incorporated under the CUIA or the *Credit Union Act* (British Columbia) (CUA) or the *Credit Unions and Caisses Populaires Act, 1994* (Ontario) or under the laws of any other province or territory and that, under those laws, are licensed or registered to carry on business as a credit union or caisse populaire in that jurisdiction or are incorporated as a federal credit union under the laws of Canada; or (b) a credit union incorporated under the laws of another jurisdiction as a central credit union or as a corporation which, in the opinion of the Board of Directors (the Board) of Central 1, conducts its operations in a manner similar to a central credit union incorporated under the CUIA or CUA, and whose application for membership has been approved by the Board.
- (ii) Class B Members are cooperative associations incorporated under the Cooperative Association Act (British Columbia) or a cooperative incorporated under another law of the Province of British Columbia or under the laws of another jurisdiction which, in the opinion of the Board of Central 1, conducts its operations on a cooperative basis and is designated as a cooperative association by the Board for the purposes of membership in Central 1.

- (iii) Class C Members are incorporated organizations whose application for membership has been approved by the Board as provided in the Rules, other than a Class A Member or a Class B Member.

As of December 31, 2017, Central 1’s membership consisted of 109 Class A members, 49 Class B members and 84 Class C members.

On February 27, 2014, the Financial Institutions Commission (FICOM) designated Central 1 as a domestic systemically important financial institution (D-SIFI) within the Canadian credit union network. D-SIFIs are financial institutions whose failure could cause significant disruption to the wider financial network and economic activity. Institutions designated as D-SIFIs are subject to additional capital and liquidity requirements and enhanced supervision by regulatory authorities.

Credit Ratings

Central 1’s debt securities are rated by Standard & Poor’s (S&P) and Dominion Bond Rating Service (DBRS).

	DBRS	S&P
Senior Debt	A (high)	A-
Subordinated Debt	A	BBB+
Short-term Debt	R-1 (middle)	A-2
Rating Outlook	Stable	Stable

Board of Directors

Central 1's Board currently consists of 15 directors who are ultimately responsible for the stewardship of Central 1 and oversight of its risk and financial performance.



Rick Hoevenaars

London, Ontario

Chairperson of the Board (since 2015)
 Director since 2012
 Currently serving a second term (2015-2018)

Rick has been the Executive Vice President of Finance & Chief Financial Officer of Libro Credit Union since 1988. He has been very involved in the industry at the board and committee level throughout the years, having held positions with the Credit Union Managers Association of Ontario, Deposit Insurance Corporation of Ontario Sound Business Practices Committee, Canadian

Credit Union Association's Networks Task Force, and various Ontario and B.C. Central Committees. In the community, Rick is currently a member of the University of Western Ontario's Audit Committee and a past member of United Way's Poverty Impact Council.

Rick is a Chartered Professional Accountant, CPA, CGA, is a Fellow of the Credit Union Institute of Canada (FCUIC). He also completed the Queen's School of Business Executive Program.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board Chairperson, Board of Directors	22/22	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	4/4	Jan 1 – Dec 31	100%
Member, Human Resources Committee	7/7	Jan 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	7/7	Jan 1 – Dec 31	100%
Chairperson, Ad Hoc Payco Committee	8/8	Feb 1 – Apr 30	100%
Member, CEO Search Committee	7/7	June 1 – Nov 30	100%

Other Current Boards/Committee Memberships

Director, Co-operators Life Insurance Company & Co-operators General Insurance Company
 Director, CUCO Co-operative Association
 Member of Financial Executives International's Southwestern Ontario Chapter
 Member, The University of Western Ontario's Audit Committee
 Chairperson, Ontario Pension Committee

Areas of Expertise

Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Technology Business Expertise, Community Engagement



Bill Kiss

Vancouver, British Columbia

Vice-Chairperson of the Board (since 2016)
 Director since 2013
 Currently serving a second term (2016-2019)

Bill is currently Co-Chief Executive Officer of Gulf and Fraser Fishermen's Credit Union (G&F Financial Group), a position he has held since 2011. He was Chief Financial Officer of G&F Financial Group from 1996 to 2011. Prior to joining G&F Financial Group, Bill worked at a local chartered accounting firm for over 10 years.

He is a strong advocate for community investment and passionately believes in the cooperative movement.

Bill is a Chartered Professional Accountant, CPA, CGA, holds a Bachelor of Science degree in Mathematics/Statistics and a Licentiate in Accounting, post graduate degree.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	22/22	Jan 1 – Dec 31	100%
Chairperson, Audit and Finance Committee	1/1	Jan 1 – Apr 30	100%
Committee Member, Audit and Finance Committee	7/7	May 1 - Dec 31	100%
Member, Risk Review and Investment & Loan Committee	0/1	Jan 1 – Apr 30	86%
Chairperson, Risk Review and Investment & Loan Committee	6/6	May 1 – Dec 31	
Member, Ad Hoc Payco Committee	3/4	Mar 7 - Apr 30	75%
Member, CEO Search Committee	7/7	June 1 - Nov 30	100%

Other Current Boards/Committee Memberships

Director, CUMIS Life Insurance Company & Director, CUMIS Limited General Insurance Company
 Director, Gulf and Fraser Insurance Services

Areas of Expertise

Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Risk Management Expertise, Individual F.I. Liquidity, Community Engagement



Bob Armstrong

New Westminster, British Columbia

Director since 2017
Currently serving a first term (2017-2019)

Bob is Vice-Chairperson of the Board (and Chairperson of the Audit and Finance Committee) of Coast Capital Savings Credit Union. Prior to focusing his energies on a portfolio of board and advisory roles in the corporate and non-profit sectors, Bob spent much of his career with Ritchie Bros. Auctioneers, serving in senior executive positions including Chief Financial Officer, Chief Operating

Officer and Chief Strategic Development Officer.

Since leaving Ritchie Bros. Auctioneers, Bob has been assisting organizations and management teams as they deal with the challenges of growing, expanding and innovating, with an emphasis on strategic planning and leadership development.

Bob is a Chartered Professional Accountant (CPA, CA) and obtained his ICD.D accreditation from the Institute of Corporate Directors.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	2/4	Oct 1 – Dec 31	50%
Member, Risk Review and Investment & Loan Committee	1/1	Nov 24 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	1/1	Nov 24 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director and Vice-Chairperson, Coast Capital Savings Credit Union			
Director, Armstrong Hospitality Group (Rocky Mountaineer)			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Risk Management Expertise, Individual FI liquidity, Technology Business Expertise, Governance Experience, Community Engagement			



Elmer Epp

Kamloops, British Columbia

Director since 2013
Currently serving a second term (2016-2019)

Elmer is an associate at the law firm of Cates Ford Epp in Kamloops, British Columbia, specializing in corporate, commercial, business and real estate transactions, including commercial and personal loan transactions. Elmer has served as a director of Interior Savings Credit Union and the former Thompson Valley Savings Credit Union since 1996.

He has been Chairperson of the Board of Interior Savings/Thompson Valley Savings Credit Union since 1998.

Elmer holds a Bachelor of Arts degree in English and an LL.B from the University of British Columbia. He also holds a Diploma of Technology from British Columbia Institute of Technology. He is a member of the Law Society of British Columbia and Canadian Bar Association.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	21/22	Jan 1 – Dec 31	95%
Member, Legislative Committee	2/3	Jan 1 – Apr 30	86%
Chairperson, Legislative Committee	4/4	May 1 – Dec 31	
Chairperson, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – Apr 30	100%
Member, Conduct Review and Corporate Governance Committee	2/2	May 1 – Dec 31	
Other Current Boards/Committee Memberships			
Chairperson, Interior Savings Credit Union			
Director, British Columbia Cooperative Association			
Areas of Expertise			
Credit Union/Cooperative Sector, Legal			



Kerry Hadad

Kitchener, Ontario

Director since 2016
Currently serving a first term (2016-2019)

Kerry joined Your Neighbourhood Credit Union (YNCU) in 2005 as Chief Executive Officer and is now the President and CEO of YNCU (which now includes Community First, a division of YNCU). Kerry actively demonstrates his strong beliefs in cooperative values as a founding member of Alliance of Large Ontario Credit Unions (ALOCU). Prior to assuming leadership of YNCU, Kerry held a variety of senior positions with

Alterna Savings and Credit Union, the Liquor Control Board of Ontario, Prudential Bache Securities and Citibank. He has served the community as a coach, an instructor of business, and on a hospital board.

Kerry holds designations as a Chartered Professional Accountant (CPA), Certified Management Accountant (CMA), and Certified Financial Services Auditor (CFSA). He also holds a Certificate in Financial Management, and is a Member of the Association of Accounting Technicians (MAAT).

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	21/22	Jan 1 - Dec 31	95%
Audit and Finance Committee	7/8	Jan 1 - Dec 31	88%
Member, Nominations and Elections Committee	3/3	Jan 1 - Apr 30	100%
Chairperson, Nominations and Elections	1/1	May 1 - Dec 31	
Other Current Boards/Committee Memberships			
Central 1 Advisory Council			
Member, Board of Governors, Conestoga College Institute of Technology and Advanced Learning			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Individual F.I. Liquidity, Regulatory Expertise, Community Engagement			



Angela Kaiser

Delta, British Columbia

Director since 2015
Currently serving a first term (2015-2018)

Angela owns and operates a public practice accounting firm focusing on the financial, tax and accounting needs of individuals and small business corporations. She is currently a director at Prospera Credit Union (served as Board Chairperson from 2010-2015), and Director of Stabilization Central Credit Union of B.C. (Board Chairperson from 2011-2016). Angela maintains a strong profile in the

local community volunteering as a Program Facilitator for Junior Achievement of British Columbia, serving on the Delta Police Board and is the director of Finance for not-for-profit organizations including Agape Street Ministry and Sancta Maria House. Angela received the *Significant Board Contribution* 2018 Peak Award from the Association of Women In Finance.

Angela holds a Certified Financial Planner designation, and a Bachelor of Commerce degree from the University of British Columbia. She is a certified director (ICD.D) and member of the Institute of Corporate Directors.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	22/22	Jan 1 - Dec 31	100%
Member, Audit and Finance Committee	7/7	May 1 - Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 - Apr 30	100%
Chairperson, Conduct Review and Corporate Governance Committee	2/2	May 1 - Dec 31	
Member, Nominations and Elections Committee	3/3	Jan 1 - Apr 30	100%
Other Current Boards/Committee Memberships			
Director, Prospera Credit Union			
Director, CUPP Services Ltd.			
Director, British Columbia Cooperative Association			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Governance Experience, Regulatory Expertise, Community Engagement			



John Kortram

Nelson, British Columbia

Director since 2017
Currently serving a first term (2017-2018)

John built his career in the Netherlands, holding various Executive Director positions with international corporations. In 2011, John immigrated to Canada and settled in Nelson, BC where he was a business owner in the community which eventually led him to become a member of the Nelson and District Credit Union Board of Directors. As director on the board of Nelson and District

Credit Union, John has contributed to various committees and has been a member of the Governance Committee, the Audit Committee, the Investment and Lending Committee, the CEO Transition Committee and the Executive Committee.

John holds a Bachelor of Economics from the University of Agriculture and Science in the Netherlands and a Master of Business Management from the University's Faculty of Business. He has completed all three levels of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director (ACCUD).

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	9/9	July 15 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	July 15 – Dec 31	100%

Other Current Boards/Committee Memberships
Director, Nelson and District Credit Union
Delegate for Nelson and District Credit Union in partnership discussions around amalgamation of Kootenay Peer Group credit unions.

Areas of Expertise
Profit & Loss Statement Experience, Risk Management Expertise, Governance Experience, Human Resources Experience



Joel Lalonde

Ottawa, Ontario

Director since 2017
Currently serving a first term (2017-2020)

Joel currently holds the title of President & Chief Executive Officer at Your Credit Union, a position he has held since 2013. He has been with Your Credit Union since 2009. His prior role was that of Executive Vice President. Previously, he held a number of management positions with caisses populaires in Ontario after his early work as an analyst with the Deposit Insurance Corporation of Ontario (DICO).

Joel also sits as a Director of the Ontario Credit Union Foundation and of the Credit Union Services Association (CUSA). He has both a Bachelor of Commerce and Masters of Business Administration from the University of Ottawa.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	14/16	May 1 – Dec 31	87%
Member, Human Resources Committee	5/5	May 1 – Dec 31	100%
Member, Legislative Committee	4/4	May 1 – Dec 31	100%

Other Current Boards/Committee Memberships
Director, Ontario Co-operative Association

Areas of Expertise
Credit Union/Cooperative Sector Profit & Loss Statement Experience, Risk Management Expertise, Regulatory Expertise



Shelley McDade

Gibsons, British Columbia

Director since 2017
Currently serving a first term (2017-2020)

Shelley’s financial services career spans 35 years in the B.C. credit union network. She is currently Chief Executive Officer of Sunshine Coast Credit Union, a 75 year old cooperative with \$580 million in assets and more than 16,000 members.

Shelley is best known for her commitment and passion for leveraging collaboration to create value for members locally and across the network as a whole. A well respected leader and advisor to a variety of community and industry groups, she also dedicates her time to championing collaborative opportunities across the credit union network including the Solutions Centre, Risk Management Alliance and most recently, the Back Office Collaborative.

An accredited director through ICSA Canada, she obtained her MBA from Aspen University in 2009.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	15/16	May 1 – Dec 31	94%
Member, Conduct Review and Corporate Governance Committee	2/2	May 1 – Dec 31	100%
Member, Nominations and Elections Committee	1/1	May 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
None			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Governance Experience, Community Engagement			



Penny-Lynn McPherson

Shirley, British Columbia

Director since 2015
Currently serving a first term (2015-2018)

Penny-Lynn spent most of her career as Vice-President, General Counsel and Corporate Secretary for the Canadian Payments Association (now Payments Canada), which is a member based organization that clears and settles approximately \$197 billion of payments each day for financial institutions, including the credit union movement. She has over 25 years experience in payments,

clearing and settlement, ecommerce, compliance, risk management and corporate governance. She has served on and co-chaired many payment system committees and served as a director and vice-chair of a hospital board. She is currently President of a local strata council.

Penny-Lynn holds a Bachelor of Arts from Carleton University, and an LL.B from the University of Ottawa. She is a member of the Law Society of Ontario.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	21/22	Jan 1 – Dec 31	95%
Member, Risk Review and Investment & Loan Committee	7/7	Jan 1 – Dec 31	100%
Member, Technology Committee	4/4	Jan 1 – Dec 31	100%
Member, Ad hoc Payco	8/8	Jan 1 – Mar 30	100%
Other Current Boards/Committee Memberships			
None			
Areas of Expertise			
Credit Union/Cooperative Sector, Risk Management Expertise, Liquidity Management Expertise, Regulatory Expertise, Legal Expertise, Governance Experience			



Jan O'Brien

Victoria, British Columbia

Director since 2017
Currently serving a first term (2017-2020)

A credit union member since 1977, Jan brings leadership and experience in financial management, governance, labour relations and advocacy in the community and not-for-profit sectors. She is currently serving her third term on Vancouver City Savings Credit Union's Board of Directors, where Jan served as Board Chairperson from 2014 to 2016.

After a career in journalism, that included covering city hall and labour for The Province newspaper, Jan focused her career on labour relations. She was a vice-chairperson of the BC Labour Relations Board, a vice-president of the BC Federation of Labour; president of a local of the Communications, Energy and Paperworkers Union representing newspaper workers; provincial director of the BC New Democratic Party; and most recently a staff representative at the BC Government and Service Employees' Union.

Jan holds a Bachelor of Arts from the University of British Columbia and a Master of Business Administration from Simon Fraser University.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	16/16	May 1 – Dec 31	100%
Member, Human Resources Committee	5/5	May 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	5/6	May 1 – Jun 21	83%
Other Current Boards/Committee Memberships			
Director, Vancouver City Savings Credit Union			
Areas of Expertise			
Credit Union/Cooperative Sector, Community Engagement, Governance Expertise			



Rob Paterson

Toronto, Ontario

Director since 2014
Currently serving a second term (2017-2020)

Rob is currently President and Chief Executive Officer of Alterna Savings and ALTERNA BANK, positions he has held since April 2013. Prior to joining Alterna Savings, Rob worked in financial services for over 25 years and has held senior executive positions within such companies as CIBC, JP Morgan Chase, AON Corp, and McKinsey & Company.

Rob's employment experience includes all aspects of retail, small business and commercial banking. He is a pioneer of emerging payment and mobile technologies, and has also championed innovative lending solutions.

Rob has positioned himself as a leader, and mentor, in the Fintech space and holds a Bachelor of Arts degree from the University of Western Ontario - King's University College.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	20/22	Jan 1 – Dec 31	91%
Chairperson, Technology Committee	4/4	Jan 1 – Dec 31	100%
Member, Nominations and Elections Committee	1/1	May 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	1/2	Jan 1 – Apr 30	50%
Member, CEO Search Committee	6/7	Jun 1 – Nov 30	86%
Other Current Boards/Committee Memberships			
Director, Alterna Bank			
Director, Enactus Canada			
Advisor to SASAH at the University of Western Ontario			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Regulatory Expertise, Technology Business Expertise			



Blaize Horner Reich

Vancouver, British Columbia

Director since 2015
Currently serving a first term (2015-2018)

Blaize is currently the RBC Professor of Technology and Innovation at the Beedie School of Business at Simon Fraser University (SFU). From 2014-2015, she was the Dean of the Beedie School of Business at SFU.

Prior to SFU, she was an information technology (IT) professional and consultant to industry in both Canada and Asia. She is the Board Chairperson for RADIUS

and is the founding academic leader of the Business Technology Management program, an initiative of Information Technology Association of Canada. She has served on several corporate, industry and not for profit boards, and currently serves on the BCAA board and the Academic Member Advisory group for the Project Management Institute.

Blaize holds a Bachelor of Arts in Economics, Master of Science degree and a Ph.D. in Business – Information System Strategy from the University of British Columbia. She is a certified director (ICD.D) and an Academic Fellow of the International Consulting Management Association.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	18/22	Jan 1 – Dec 31	82%
Member, Audit and Finance Committee	1/1	Jan 1 – Apr 30	100%
Member, Technology Committee	3/4	Jan 1 – Dec 31	75%
Member, Human Resources Committee	2/2	Jan 1 – Apr 30	100%
Chairperson, Human Resources Committee	5/5	May 1 – Dec 31	100%
Member, Ad hoc Payco Committee	7/8	Jan 1 – Mar 31	87%
Member, CEO Search Committee	7/7	Jun 1 – Nov 30	100%

Other Current Boards/Committee Memberships

Director, British Columbia Automobile Association

Areas of Expertise

Financial Acumen, Risk Management Expertise, Regulatory Expertise, Technology Business Expertise



Launi Skinner

Vancouver, British Columbia

Director since 2017
Currently serving a first term (2017-2020)

Launi is the Chief Executive Officer of First West Credit Union, one of Canada's leading credit unions with \$10 billion in assets under administration, 240,000 members and 1,700 employees. Launi leads visioning and strategic direction for First West Credit Union.

Before joining First West Credit Union, Launi served as president of Starbucks U.S. Known for inspiring change and achieving results, Launi has been recognized as one of Canada's Most Powerful Women and as one of Fortune Magazine's 50 Most Powerful Women's feature "Four Women to Watch." Launi is currently a board member for Qtrade Financial Group, Rocky Mountaineer and Science World.

In the community she is a past event Chairperson for the Vancouver YWCA Women of Distinction Awards and has received an Honorary Doctorate of Technology from BCIT.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	11/16	May 1 – Dec 31	69%
Member, Audit and Finance Committee	5/7	May 1 – Dec 31	71%
Member, Human Resources Committee	4/4	May 1 – Dec 31	100%
Member, CEO Search Committee	7/7	Jun 1 – Nov 30	100%
Other Current Boards/Committee Memberships			
Director, Qtrade Financial Group			
Director, Rocky Mountaineer			
Director, Science World			
Areas of Expertise			
Credit Union/Cooperative Sector Experience, Profit & Loss Experience, Financial Acumen, Governance Experience, Human Resources Experience			



Rob Wellstood

Peterborough, Ontario

Director since 2015

Currently serving a first term (2015-2018)

Rob is currently President and Chief Executive Officer of Kawartha Credit Union, a position he has held since 2002. He was Controller from 1993-2002. Prior to joining Kawartha Credit Union he spent 10 years in public practice, first working for a national Chartered Accounting firm then in partnership in a family owned practice, and spent two years as a commercial lender

with the Business Development Bank of Canada.

Rob has served on a number of boards in the not-for-profit and financial sectors and industry advisory committees. He currently serves on the board of CUCO Cooperative Association.

Rob is a Chartered General Accountant, CPA, CMA, holds a Bachelor of Mathematics degree from the University of Waterloo.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2017		
	Attendance	Term in 2017	% of Meetings Attended
Board of Directors	19/22	Jan 1 – Dec 31	86%
Member, Audit and Finance Committee	1/1	May 1 – Dec 31	100%
Chairperson, Audit and Finance Committee	7/7	Jan 1 – Apr 30	
Member, Risk Review and Investment & Loan Committee	6/6	May 1 – Dec 31	100%
Chairperson, Nominations and Elections Committee	3/3	Jan 1 - Apr 30	100%
Other Current Boards/Committee Memberships			
Director, CUCO Cooperative Association			
Director, ABCP 2008 Limited Partnership			
Areas of Expertise			
Credit Union/Cooperative Sector, Profit & Loss Statement Experience, Financial Acumen, Individual F.I. Liquidity, Regulatory Expertise, Community Engagement			

Board and Committee Meetings

Directors are expected to attend all Board and Committee meetings. While most meetings are planned a year in advance, from time to time a Board or Committee will schedule a special meeting at short notice resulting in some directors not being able to attend the special meeting. Directors are encouraged to attend meetings in person, but they may also participate by teleconference. The following tables set out a summary of the Board and Committee meetings held during 2017.

Board/Committee	Total Number of Meetings
Board	22
Audit and Finance Committee	8
Conduct Review and Corporate Governance Committee	4
Human Resources Committee	7
Legislative Committee	7
Nominations and Elections Committee	4
Risk Review and Investment & Loan Committee	7
Technology Committee	4
Ad Hoc Payco Committee	8
CEO Search Committee	7

The table below shows the attendance record for each director as set out in their director profiles.

Director	Committee Meetings	Board Meetings	Percentage of Meetings Attended
B. Armstrong	2/2	2/4	67%
E. Epp	10/11	21/22	94%
R. Hoevenaars	33/33	22/22	100%
K. Hadad	11/12	21/22	94%
A. Kaiser	14/14	22/22	100%
B. Kiss	24/26	22/22	96%
J. Kortram	2/2	9/9	100%
J. Lalonde	14/16	9/9	92%
S. McDade	3/3	15/16	95%
P. McPherson	19/19	21/22	98%
J. O'Brien	10/11	16/16	96%
R. Paterson	12/14	20/22	89%
B. Reich	25/27	18/22	88%
L. Skinner	16/18	11/16	79%
R. Wellstood	17/17	19/22	92%

Governance Framework

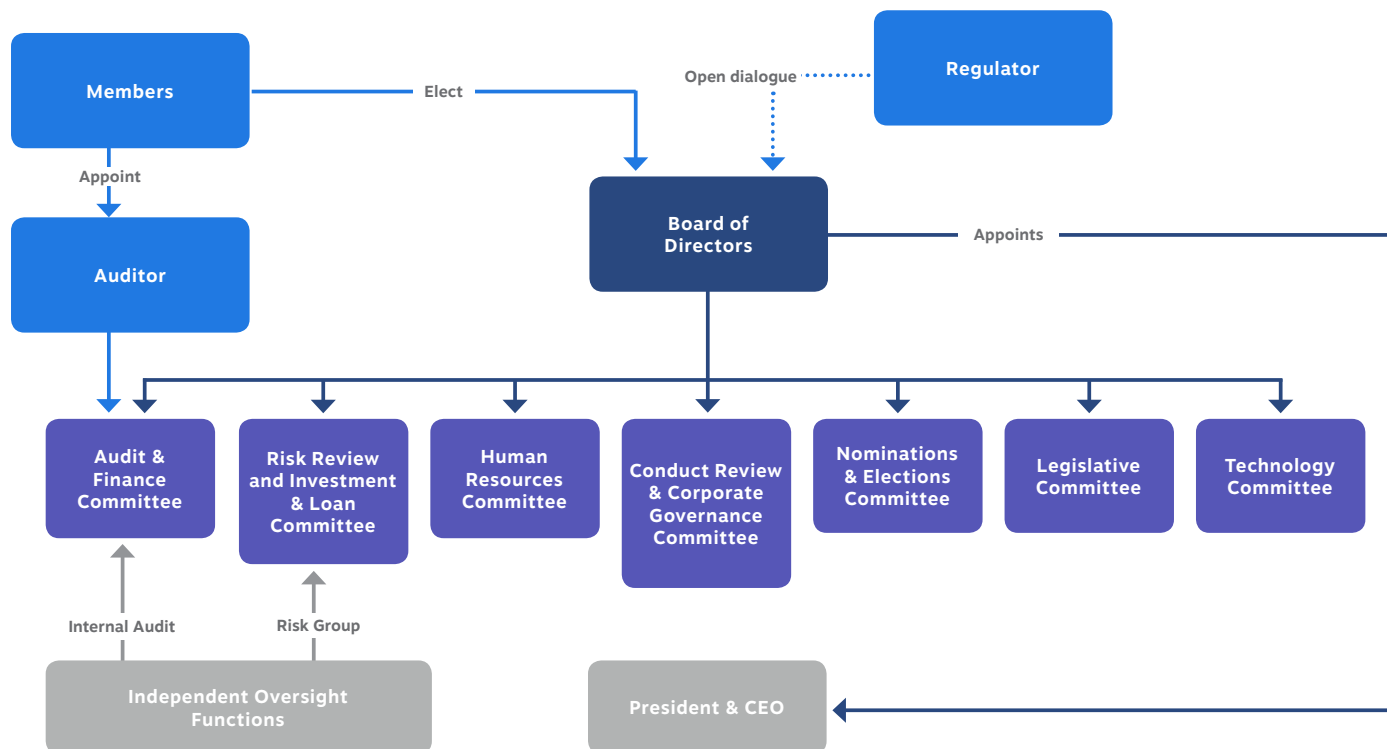
This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Central 1, which together enable Central 1 to meet or exceed governance expectations of the Financial Institutions Commission (FICOM), the Canadian Securities Administrators (CSA) and applicable legislation.

Central 1's Board and management are committed to leadership in corporate governance and understand that good governance is central to the efficient and effective operation of Central 1 in a manner that ultimately enhances member value. Our corporate governance framework is subject to ongoing review, assessment and improvement. The Board proactively adopts governance policies and practices designed to align the interests of the Board and management with those of Central 1's members and other stakeholders, and to promote the highest standards of ethical behaviour and risk management at every level of the organization.

As a reporting issuer in certain jurisdictions of Canada, Central 1 is required to disclose certain corporate governance practices it has adopted.

Governance Structure

The fundamental relationship among the Board, management, members, and other stakeholders is established by our governance structure, as illustrated below.



Board Mandate

Central 1's Board is responsible for the overall stewardship of Central 1, on behalf of its members. It is responsible for supervising the management of the affairs and business of Central 1 in accordance with Central 1's Rules, the CUIA and the *Financial Institutions Act* (British Columbia) (FIA) and other applicable legislation and regulations. The Board fulfills this responsibility both directly and by delegating certain authority to Board committees and Central 1's senior management.

Committees of the Board

Directors are required to serve on committees of the Board that carry out legislated and delegated duties. As at the date of this Annual Report, there are seven standing committees of the Board:

- Audit and Finance
- Conduct Review and Corporate Governance
- Human Resources
- Legislative
- Nominations and Elections
- Risk Review and Investment & Loan
- Technology

The Board may also create special ad hoc committees from time-to-time to perform specific tasks on behalf of the Board. In 2017, the Board created the Ad Hoc Payco Committee and the CEO Search Committee. Terms of Reference for the Committees of the Board listed above can be found on Central 1's website (www.central1.com).

Each committee operates in accordance with Board-approved terms of reference. A written position description is in place for the Committee Chairperson. Each committee annually reviews its terms of reference to ensure that regulatory requirements and best practices are reflected, and recommends any changes to the Conduct Review and Corporate Governance Committee, which ultimately recommends changes to the Board. Each committee also assesses on an annual basis its effectiveness to ensure that it has successfully fulfilled its responsibilities as set out in its terms of reference.

Committee members are elected annually following Central 1's annual general meeting. The Conduct Review and Corporate Governance Committee recommends directors to each of the committees. Following each meeting, the committee Chairperson reports to the Board on the committee's activities and makes such recommendations as are deemed appropriate in the circumstance.

All meetings have scheduled in-camera sessions when members can discuss the committee operations and responsibilities without management present.

Committees have the authority to engage and determine funding for any independent counsel, consultants and advisors, as may be deemed necessary to carry out their responsibilities.

Audit and Finance Committee

Central 1's management is responsible for the preparation, presentation and integrity of Central 1's financial statements, maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information. The Audit and Finance Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- the integrity of Central 1's financial statements;
- the external auditors' qualifications and independence;
- the performance of Central 1's internal audit function and external auditors;
- the adequacy and effectiveness of internal controls; and
- Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The current members of the Audit and Finance Committee are set out in the table below with the education and experience that is relevant to each member's performance of his or her responsibilities as an audit committee member. Each member of the Audit and Finance Committee is "independent" and "financially literate" within the meaning of the rules of the CSA relating to audit committees.

The following table sets out the relevant education and experience of the members of the Audit and Finance Committee.

Audit and Finance Committee Member	Relevant Education	Met 2017 requirements for CPD*	Relevant Experience
Rob Wellstood (Chairperson)	B. Math, CPA, CMA	Completed	Current CEO, Kawartha Credit Union. Previously was Controller, Kawartha Credit Union (10 years) and worked in Public Accounting and Commercial Lending.
Kerry Hadad	CPA, CMA, CFSA, MAAT	Completed	Current CEO, Your Neighbourhood Credit Union. Previous experience as Internal Auditor, Public Accountant and Credit Lender.
Angela Kaiser	B. Comm, CPA, CGA, CFP	Completed	Current Board Member, Prospera Credit Union. Served as Audit Chairperson at Prospera Credit Union and Stabilization Central Credit Union of B.C. Works in public practice.
Bill Kiss	Lic.Acct., CPA, CGA	Completed	Current co-CEO, Gulf and Fraser Fishermen's Credit Union. Previously was CFO of G&F for 15 years. 10 years Chartered Accounting firm experience.
Launi Skinner	CPA, CGA	Completed	Current CEO, First West Credit Union. Previous President, Starbucks, U.S.

*Continuing Professional Development for relevant professional designations.

External Auditor Service Fees

The following table sets out the aggregate fees billed in each of the last three fiscal years by Central 1's external auditor.

	2017	2016	2015
Audit Fees ⁽¹⁾	\$ 967,500	\$ 979,600	\$ 917,200
Audit-related Fees ⁽²⁾	213,000	27,700	27,200
Tax Fees ⁽³⁾	135,000	157,290	67,725
All Other Fees			
Aviso Wealth Fees ⁽⁴⁾	854,600	272,750	-
Other Fees ⁽⁵⁾	-	15,000	25,000
Total⁽⁶⁾	\$ 2,170,100	\$ 1,452,340	\$ 1,037,125

⁽¹⁾ **Audit Fees.** Audits of Central 1 and subsidiaries, quarterly reviews of Central 1, specified procedures, and involvement in offering memorandum related to subordinated notes.

⁽²⁾ **Audit-related Fees.** Services related to adoption of new IFRS 9 standards, audit of Central 1's Ontario Registered Retirement Plan, and IFRS 9 Readiness for Credit Unions. Includes \$187,600 in non-recurring costs in 2017 primarily related to the National IFRS 9 Credit Union project and Central 1's own IFRS 9 transition.

⁽³⁾ **Tax Fees.** Tax advisory and compliance fees.

⁽⁴⁾ **Aviso Wealth Fees.** Accounting, tax, and advisory services related to the support of the merger discussions and strategy of the Aviso Wealth transaction, which involved Desjardins, five provincial credit union centrals, and CUMIS in the bringing together of the businesses of Qtrade, Credential, and NEI Investments. Advisory services primarily relate to Due Diligence and Financial Advisory.

⁽⁵⁾ **Other fees.** Advisory services primarily related to Central 1's Economic Capital methodology and cyber security risk/maturity assessment.

⁽⁶⁾ All fees are before Canadian Public Accountability Board and administration fee charges as well as applicable taxes.

The Terms of Reference of the Audit and Finance Committee are attached to this document as Appendix A. Central 1 is relying on the exemption in Section 6.1 of National Instrument 52-110 Audit Committees.

Pre-Approval of Services

The Audit and Finance Committee must pre-approve all audit and non-audit services, including the provision of tax advice (other than de minimus non-audit services provided to Central 1 and its subsidiaries, as defined in NI 52-110). The Chairperson is authorized to provide such pre-approval throughout the year, in accordance with applicable terms of reference with any such approvals being reported to the next regularly scheduled meeting of the Audit and Finance Committee.

Conduct Review and Corporate Governance Committee

The Conduct Review and Corporate Governance Committee is responsible for ensuring performance by Central 1 of the duties required of it by the CUIA and Parts 4 and 5 of the FIA. The Committee is also responsible for advising the Board in applying governance principles, monitoring developments in corporate governance and adopting best practices to the needs and circumstances of Central 1.

Human Resources Committee

The Human Resources Committee is responsible for advising the Board on succession planning, compensation and human resources principles and on related policies and practices. This committee provides its recommendation to the Board for compensation of the President and Chief Executive Officer (CEO) in light of his or her performance and Central 1's performance. In addition, the Committee makes recommendations on the compensation of senior management and on matters concerning Central 1's pension plans.

Legislative Committee

The Legislative Committee is responsible for analyzing legislative developments at the provincial level and recommends related strategies to the Board. Its members also advocate for legislative and regulatory change on behalf of the B.C. and Ontario credit union networks.

Nominations and Elections Committee

The Nominations and Elections Committee is responsible for overseeing the director nomination and election process. Its responsibilities include recruiting and recommending candidates for election to the Board. Committee members ensure that the competencies identified in the Board-approved skills and experience matrix are present on the Board to meet the current needs of Central 1's governance leadership and strategic intent.

Risk Review and Investment & Loan Committee

The Risk Review and Investment & Loan Committee is responsible for overseeing the effective operation of all risk taking operations and risk management functions of Central 1 and ensuring appropriate risk governance processes are executed effectively and that investment, lending and other business operations of Central 1 are undertaken in a prudent and risk-informed manner.

The Committee reviews the risk, investment and lending activities of Central 1, the associated corporate policies and any significant and emerging events and related action plans and recommends any improvements or changes to the Board as deemed necessary or desirable. The Committee also monitors and oversees compliance with anti-money laundering and counter terrorism financing legislation and related policies.

Technology Committee

The Technology Committee is responsible for providing strategic risk and business oversight to Central 1's direct banking and payment services' lines of business, ensuring that network risks inherent to these business lines are managed within both Central 1's stated risk appetite and that of its Class A members.

Management's Role In Board Effectiveness

There is a clear demarcation of roles and responsibilities between the Board and senior management that fosters an environment of transparency, confidence, and mutual trust in which the Board is able to constructively challenge and provide guidance to management.

The CEO is appointed by the Board and is responsible for managing the day-to-day affairs of Central 1. The CEO's key responsibilities involve working with the Board to determine the strategic direction of Central 1 and providing leadership to management in achieving strategy objectives. The CEO, together with senior management, is accountable for implementing the Board's decisions and is responsible for directing and overseeing the operations of Central 1.

The Human Resources Committee annually reviews and, if appropriate, recommends to the Board for approval, the CEO's goals and objectives and compensation.

Board Composition

Board Size

The Board is composed of 13 directors who are required to be officers or directors of a Class A member and are elected or appointed by Class A members. In addition, the Board has the discretion to appoint up to two directors to fill skills and experience gaps on the Board, for a total of up to 15 directors.



Of the 13 directors who are elected or appointed by Class A members, eight are elected or appointed, as the case may be, by Class A members having their head office in B.C. The other five directors are elected or appointed, as the case may be, by Class A members having their head office in Ontario. Despite directors being elected or appointed on a regional basis, directors who serve on Central 1's Board act for the organization as a whole. In November 2015 the Central 1 Board appointed two additional directors. Central 1's Board is currently composed of 15 directors.

Director Tenure

Directors serve for a term of three years, unless a shorter term is provided by the Rules or determined by the Board at the time of election or appointment in accordance with the Rules. No director may serve more than 12 consecutive years.

Independence

All directors are independent of management. Having an independent Board is critical to effective oversight and good governance. Directors are asked annually to complete an independence questionnaire about their business and any other relationships they have with Central 1 (and its affiliates) and senior management.

To facilitate the ability of the Board to function independently of management, the following structures and processes are in place:

- the role of Chairperson of the Board is separate from the role of CEO;
- there are no members of management on the Board; and
- directors hold in-camera sessions where members of management are not present at each Board and committee meeting

The Board has developed a written position description for the Chairperson of the Board. The Chairperson's duties include leading the Board in its management and supervision of the business and affairs of Central 1, including ensuring that all matters relating to the Board mandate are completely disclosed and discussed with the Board. The Chairperson also leads the Board in its oversight of management.

Director Nomination and Skills and Experience Matrix

In accordance with governance best practices and regulatory requirements, the Board, as a whole, is comprised of individuals from diverse backgrounds having specific skills and experience that match the financial, operational and risk oversight needs of Central 1. All directors are expected to have the personal attributes necessary to reflect the cooperative values of Central 1 and the credit union.

Each year, the Conduct Review and Corporate Governance Committee uses a matrix to identify desired competencies, expertise and skills it seeks in potential director candidates to enhance overall Board performance. Based on the priority needs identified by the Conduct Review and Corporate Governance Committee, the Nominations and Elections Committee recruits and assesses director candidates to recommend for appointment/election to the Board.

Interlocking Directorships

The credit union network consists of three tiers. The first tier consists of local credit unions, the second tier consists of provincial central credit unions, each of which is controlled by first tier credit unions, and the third tier consists of Canadian Credit Union Association Cooperative (CCUA), which is owned by first tier credit unions.

Within the credit union network is a network of related corporations and subsidiaries of B.C. and Ontario credit unions, Central 1 and CCUA. This organizational structure results in a series of interlocking directorships and other relationships in which:

- a director of Central 1 is a member of a Class A member credit union and may be either a director or an officer of a Class A member credit union of Central 1 or may be a director or officer of:
 - (i) a subsidiary of Central 1; or
 - (ii) a corporation in which Central 1 or Central 1 and one or more local credit unions have a financial or other interest; and
- a senior officer of Central 1 may be a director, officer, or both, of a subsidiary of Central 1 or a director or officer of a corporation in which Central 1 has a financial or other interest.

The organizational structure of the credit union as explained above may contain an inherent potential for conflicts of interest between Central 1 or a subsidiary of Central 1 and a director or officer of Central 1 or subsidiary of Central 1. However, there are no existing or potential conflicts of interest that are material.

The Conduct Review and Corporate Governance Committee is required to resolve conflicts of interest that may arise and to ensure that Central 1's dealings with its related parties comply with federal and provincial legislation. The Conduct Review and Corporate Governance Committee is required to review Central 1's conflict of interest policies biennially. The Conduct Review and Corporate Governance Committee undertook such a review in 2017.

Diversity

Central 1 is committed to building and sustaining a diverse and inclusive Board that both supports Central 1's strategy and reflects the credit union network. To support this, the Nominations and Elections Committee will, when identifying candidates to recommend for appointment/election to the Board:

- consider candidates who are highly qualified based on the Board-approved competency matrix;
- take into account that an inclusive board of directors should reflect the diversity of the communities that Central 1 serves;
- conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

The Board aspires towards a composition in which each gender comprises at least one-third of the directors. Currently the board is comprised of forty per cent women and sixty per cent men.

Board Operations

Chair of the Board

Each year, the directors elect a Chairperson. Mr. Rick Hoevenaars is currently Chairperson of the Board.

Board and Committee Meetings

Central 1's directors are required to attend a number of scheduled meetings each year. These meetings include regularly scheduled Board meetings, planning sessions and a number of special meetings. In addition, each director is required to serve on Board committees.

Directors are expected to attend as many meetings as possible. Directors are to come to meetings thoroughly prepared, engage in meetings and make a sustained, positive contribution to the success of Central 1 and the credit union network as a whole.

In-camera Sessions

At each Board and committee meeting, the directors meet in-camera without management present.

Compensation

The Conduct Review and Corporate Governance Committee conducts a periodic review, not less than every three years, of the amount and the form of compensation of directors to provide market-competitive compensation. The maximum annual compensation that may be paid to directors is determined by Central 1's Class A members, who have set it at \$800,000. Compensation paid to each director is disclosed on page 25 of this report.

Key Policies

Central 1 has established policies to ensure that a culture of integrity is maintained throughout the organization. Some of the most important policies include:

- **Code of Conduct:** The Code of Conduct (Code) outlines the standards of conduct imposed by law, provides guidelines for honest and ethical conduct and offers guidance to help directors recognize and deal with ethical issues that may arise during their tenure. The Code applies to all of Central 1's directors, officers and employees. It is distributed to all directors, officers and employees and is available on Central 1's intranet site. Compliance with the Code is a condition of employment, or term of office in the case of directors. The Code is also available on Central 1's website (www.central1.com). Only in extraordinary circumstances and where it is clearly in the best interests of Central 1, the President and CEO or the Board may waive specific provisions of the Code. Any waiver of the Code for directors or officers of Central 1 may only be granted by the Board, and will promptly be disclosed as required by law.

All directors, officers and salaried employees are asked to acknowledge that they have read and understand the Code and undertake to abide by it. In April 2017, 100 per cent of Central 1's directors, officers and salaried employees provided their acknowledgement and agreement to abide by the policies.

- **Conflict of Interest Policies and Procedures:** These Policies and Procedures define conflicts of interest that may arise and how conflicts must be disclosed and managed. Directors and executive officers must ensure that they identify and avoid any actual, potential or perceived conflict of interest that might influence their decisions in their capacity as directors or executive officers of Central 1. Where the conflict can potentially interfere with or be perceived to interfere with a director's independent judgment, the director must either eliminate the interest or duty giving rise to the conflict or resign as a director of Central 1. Where a conflict of interest arises from a transaction or proposed transaction between Central 1 or an affiliate of Central 1, and any person (including a corporation) who is a related party of Central 1 because of a relationship with the director, the affected director and Central 1 shall comply with the requirements of Part 5 of the FIA, and, whenever the director has a direct or indirect interest in the transaction, by complying with the applicable provisions of the CUIA.
- **Ethical Reporting Policy:** Employees are often the first to realize there may be something wrong within an organization. They may not express their concerns, however, because they feel speaking up would be disloyal. They may also fear recrimination, harassment or victimization and feel it would be easier to ignore the concern. This policy establishes the framework which allows employees to report suspected wrongdoing, without fear of recrimination.
- **Disclosure Policy:** Central 1 issues timely, fair and accurate disclosure of all material information relating to Central 1 to keep members and the public informed about its affairs. Respecting its Disclosure Policy is critical to maintaining integrity, and each director, executive officer and employee has an obligation to make sure they conduct themselves according to the policy and its objectives.

Sustainability Initiatives

As a co-operative organization we believe in People Helping People. Central 1 supports initiatives that contribute to the sustainability of its communities, and the environment.

Environmental Stewardship

Central 1 is an environmentally conscious organization that has a recycling program and composts to ensure we help reduce our environmental footprint.

Volunteerism

Central 1's Community Impact Initiative is designed to support efforts to volunteer for causes employees are passionate about in the community. The program incorporates access to a Community Impact Fund and paid time off to support volunteer efforts.

Member Communication and Engagement

Central 1's Board of Directors and management provides regular communication to Central 1's members through a variety of channels including the following:

- Quarterly spotlight webinar and conference calls with invitations to credit union members' management, held following the corresponding Central 1 Board meetings;
- Peer group and contact meetings, attended by directors and management of member credit unions and Central 1, held in various locations throughout B.C. and Ontario;
- Member forum held in March 2017 to receive feedback on Central 1's proposed response to PayCo paper;
- Members of Central 1's Nominations and Elections Committee present on director elections to credit union boards;
- Bulletins posted on Central 1's secure site, providing regular updates on various services; and
- Annual General Meeting and conference held in Vancouver in April 2017.

Director Orientation, Education and Development

Central 1 relies on the collective knowledge, experience and skill of each director and the Board for its effective governance and success. It is important that directors have the appropriate competency requirements in order to fulfill their oversight responsibilities to Central 1 and its members and thereby contribute to enhancing the credit union network.

The Board recognizes that investing in ongoing education and development is an important component of effective governance of Central 1. A comprehensive approach to director orientation, education and development is necessary to ensure that all directors:

- Develop within the first year of being a director a basic understanding of each of the core business competencies, including financial literacy, risk management, liquidity management, legal and regulatory and Central 1 business and functions knowledge;
- Continue to deepen their education and improve their skills, professional qualifications, and experience. All directors are required to attend Central 1's

in-house education sessions. These sessions are aimed at the core business competencies; and

- To assist individual directors who wish to pursue ongoing education or who volunteer to attend educational conferences and industry events, the Board provides each director with a \$10,000 education allowance per three-year term of office.

New Director Orientation

Following election to Central 1's Board, new directors attend Central 1's director orientation. The Board Chairperson may assign to new directors a mentor from amongst fellow directors. The Board Chairperson and mentor will be invited to attend the orientation session. The Conduct Review and Corporate Governance Committee oversees the orientation program. The goals of the director orientation program are to:

- Ensure new directors fully understand the formal governance structure, the role of the Board, its committees and the individual performance expectations set out in the individual Director's Terms of Reference.
- Help new directors understand Central 1, its operations and working environment, including:
 - strategic priorities, initiatives and key performance indicators;
 - summary details of principal assets, liabilities, significant commitments and major stakeholders;
 - organizational structure;
 - major risks and risk management strategy;
 - operational or financial constraints imposed by legislation or otherwise;
 - Central 1's Code of Conduct; and
 - Director's Conflict of Interest Policy.
- Build links to the individuals who make up Central 1, including:
 - opportunities to meet and get to know fellow directors,
 - meetings with the CEO and the executive management team
 - visits to the Central 1 offices to meet employees; and
 - build an understanding of Central 1's main relationships, including those with members and stakeholders.

Mandatory Education

New directors are required to complete Level A: Foundations of Governance of the Credit Union Director Achievement training program, if they have not already done so.

Ongoing Director Education

During 2017, all directors attended a number of in-house education sessions. The following is a list of education sessions held in 2017:

Attendees	Session
Board Members	Payments Canada - Modernization
Board Members	Agile Training
Risk Review and Investment & Loan Committee Members	Business Line Strategies and Risk Profiles
Risk Review and Investment & Loan Committee Members	Liquidity Crisis Simulation Exercise
Risk Review and Investment & Loan Committee Members	Commercial/Credit Union Lending, Securitization, Capital Markets

In addition to the in-house training sessions, the following table shows the additional professional development reported to be completed by the Board in 2017.

Director	Continuing Formal and Informal Education Sessions in 2017
Bob Armstrong (since joining the Board on Oct. 1, 2017)	Deloitte webcast - Tax Planning for Private Corporations ICD seminar - Culture in the Boardroom Credit Union Advocacy Day - training and participation New Horizons Education Program - Change Management ICD seminar - Oversight of Major Capital Projects Coast Capital board education session - Robotics and Cognitive Automation Risk Review and Investment & Loan Committee New Director Orientation Session
Elmer Epp	Central 1 Momentum Conference CUDA CEO Evaluation: Tips and Tool Continuing Professional Development (CPD) - 12 hours Legal courses BC Advocacy Day training session
Kerry Hadad	Completed CUDA Level A CUDA: Board Performance, Development and Evaluation (CDA-LVB-BPDEE01-ILT). CCUA Conference Central 1 Momentum Conference WOCCU Conference - Vienna ICD Session: Business models and strategies in an era of disruption Completed Chartered Professional Accountant CPD Requirements
Rick Hoevenaars	CCUA Conference Central 1 Momentum Conference WOCCU - Vienna CCUA Hike the Hill Conference Participated in ON CU Advocacy Training Day Canada's Mortgage Market: How Changing Government Regulations Will Impact Your Mortgage Business Canada's Mortgage Market: Best Broker Mortgage Lending Practices to Mitigate Broker Mortgage Fraud Central 1 IFRS 9 Session CCUA Hike the Hill Conference McKinsey's Change Leaders Forum Central 1 UXPP Workshop 1 & 2 Completed Chartered Professional Accountant CPD Requirements
Bill Kiss	CCUA Conference Central 1 Momentum Conference WOCCU - Vienna Completed Chartered Professional Accountant CPD Requirements

Professional development continued.

Director	Continuing Formal and Informal Education Sessions in 2017
Angela Kaiser	CCUA Conference Central 1 Momentum Conference ICD Webinar: Preparing for Mandatory Data Breach Reporting Requirements ICD: Audit Committee Effectiveness Completed Chartered Professional Accountant CPD Requirements ICD: Social License - Who Defines It? ICD: Fundamentals of IT Oversight ICD: Culture in the Boardroom ICD: Identifying, Monitoring & Overseeing Insider Threats CuSource - Navigating Difficult Decisions PWC - Hedge Accounting/IFRS Impairment Central 1 Directors Forum
John Kortram	Central 1 Momentum Conference CUDA: Character Matters! A "Leader Character" Development CUDA: Financial Hot Buttons CUDA: Blockchain and Bitcoin: Beyond the Hype CUDA: Demystifying Blockchain, Bitcoin and Cryptocurrencies CUDA: Role of Audit Committee CUDA: Governing Credit Risk
Joel Lalonde	Central 1 Momentum Conference CCUA Conference CCUA Government Relations Forum and Hike the Hill CUDA Level A Deloitte 360 Conference
Shelley McDade	Central 1 Momentum Conference CCUA Conference WOCCU - Vienna CUDA Level A - October 2018 Session Hike the Hill - Ottawa BC Advocacy Day - Victoria
Penny-Lynn McPherson	Central 1 Momentum Conference CuSource – Spring 2017 Governance Webinar Series ICD Victoria Chapter: The Role of the Chair McKinsey on Boards
Jan O'Brien	Central 1 Momentum Conference Risk Review and Investment & Loan Committee New Director Orientation Session Fintech Conference (Vancouver Club) ICD: Audit Committee Effectiveness ICD: Cyber Security - A Business and Boardroom Priority ICD: Board Oversight on Strategy

Professional development continued.

Director	Continuing Formal and Informal Education Sessions in 2017
Rob Paterson	CUMIS Executive Roundtable Central 1 Momentum Conference Enactus National Exposition CCUA Conference WOCCU - Vienna LCUC Conference CCUA Government Relations Forum & Hike the Hill Celero's 2017 Fintech Conference Money 20 / 20 McKinsey's Change Leaders Forum Dreamforce Conference
Blaize Reich	CCUA CuSource Foundations of Governance Central 1 Momentum Conference CCUA HR and Comp. Committee Governance
Launi Skinner	Central 1 Momentum Conference CCUA Conference CUDA Level A Executive Collaborative Field School, Italy (BCIT and CUOA Business School)
Rob Wellstood	CUMIS Executive Roundtable Central 1 Momentum Conference CCUA Conference Risk Review and Investment & Loan Committee New Director Orientation Session Board Presentation: Payments Canada - Modernization Project CPA: The CEO Program: Leading with Purpose KCU: Information Systems Security Awareness Essentials Series CU Training: Privacy Matters, Fall 2017 CUSource: Flag the Money for Executives AML 2017 BDO: IFRS 16: Accounting For Leases Completed Chartered Professional Accountant CPD Requirements

Compensation Philosophy

Compensation Philosophy

The Board recognizes that strong corporate governance is a key ingredient to an organization's success and the Board has determined that, subject to the limits set by the members of Central 1 by resolution, the directors of Central 1 should be remunerated at approximately the 50th percentile of director compensation for comparable entities. That group is determined from time to time, by the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, giving due consideration to the qualifications, liability, experience and involvement in value-added decision making commensurate with Central 1's size, complexity and functions.

Compensation for directors of Central 1 falls into the following four categories:

- annual retainer;
- meetings fees for attendance at Board and committee meetings;
- per diem compensation for travel time, attending meetings and other work performed on behalf of Central 1; and
- reimbursement for reasonable expenses incurred in connection with authorized work performed on behalf of the credit union.

Compensation Review

Director Compensation is reviewed not less than every three years to ensure directors are appropriately compensated for their contributions. The Conduct Review and Corporate Governance Committee undertook to review director compensation in 2016. Mercer Canada was retained to confirm compensation philosophy, recommend comparator group, conduct a Canada-wide market survey in accordance with the compensation philosophy and prepare a report with recommendations. The Conduct Review and Corporate Governance Committee directed that an ad-hoc sub-committee be formed to review Mercer's report and provide a recommendation to the Conduct Review and Corporate Governance Committee. Central 1's Board accepted the recommendations of the Conduct Review and Corporate Governance Committee and certain changes were made to director compensation effective May 1, 2016.

Director Compensation and Expense Policy

Annually the Conduct Review and Corporate Governance Committee will review the Director Compensation and Expense Policy as set forth in the Committee's Terms of Reference. This review is made to ensure that the compensation being provided to the Board falls in line with the best practices of good governance. The annual review covers the perquisites and reasonable expense reimbursement provided to the Board but does not review core compensation items which is scheduled to be reviewed every three years. After approval of the changes to the expense policy at the committee level, the changes are provided to the Board for their approval.

In 2017, the Board approved changes to the policy to discontinue Spousal Events which included discontinuing all reimbursement of costs incurred by a Spouse or Companion of a Board Member when accompanying him or her to a business event. Revisions were also made to the Technology Expense Reimbursement provisions of the Policy to reflect changes in technology costs and requirements.

The following table sets out the types of compensation paid to Central 1's directors.

Type of Compensation	August 25, 2017 to the date of this report	May 1, 2016 - August 25, 2017
Annual Director Retainer (except Chairperson)	\$18,000	\$18,000
Annual Chairperson Retainer	\$45,000	\$45,000
Annual Vice Chairperson Retainer	\$24,000	\$24,000
Committee Chairperson (other than the Chairperson of the Audit and Finance Committee or the Risk Review & Investment and Loan Committee)	\$6,000	\$6,000
Chairperson of the Audit and Finance Committee and Risk Review & Investment and Loan Committee	\$12,000	\$12,000
AGM/Special Meeting Fee	\$0	\$0
Board and Committee Meeting Fee	meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800	meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800
Per Diem Fees for Central 1 business events or functions etc.	meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800	meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800
Per Diem Fees for Travel Time	For travel less than 4 hours: \$0 For travel 4 hours or more: \$500	For travel less than 4 hours: \$0 For travel 4 hours or more: \$500
Reasonable Expenses for Meetings and Business Events	Actual	Actual
Expenses for Spousal/Companion Event	\$0	Actual
Technology Allowance To support the purchase of personal computer equipment (e.g. iPad or other handheld technology necessary to assist the director in carrying out his or her duties to Central 1)	Up to \$1,500 per 3-year term	Up to \$3,000 per 3-year term
For basic voice/data plan For costs incurred in relation to internet connection and email address	Up to \$75/month	Up to \$200/year Up to \$75/month Actual

2017 Director Compensation

The following table sets out the value of fees and other compensation paid to directors of Central 1 during 2017.

Director	Annual Cash Retainer	Meeting Fees	Total Remuneration (Annual Cash Retainer and Meeting Fees) ¹
Bob Armstrong (term began Oct. 1, 2017)	\$4,537	\$3,700	\$8,237
Anita Braha (term ended April 30, 2017)	\$5,918	\$5,600	\$11,518
Keith Brain (term ended April 30, 2017)	\$7,890	\$12,700	\$20,590
Bill Cooke (term ended Sept. 28, 2017)	\$13,464	\$0	\$13,464
Elmer Epp	\$23,999	\$23,900	\$47,899
Kerry Hadad	\$22,027	\$27,700	\$49,727
Rick Hoevenaars	\$45,000	\$72,700	\$117,701
Angela Kaiser	\$22,027	\$24,900	\$46,927
Bill Kiss	\$36,000	\$23,800	\$59,800
John Kortram (term began July 15, 2017)	\$8,483	\$10,800	\$19,283
Joel Lalonde (term began May 1, 2017)	\$12,083	\$19,800	\$31,883
Shelley McDade	\$12,083	\$9,400	\$21,483
Kelly McGiffin (term ended April 30, 2017)	\$7,890	\$6,600	\$14,490
Emmet McGrath (term ended April 30, 2017)	\$9,863	\$8,100	\$17,963
Penny-Lynn McPherson	\$18,002	\$29,000	\$47,002
Jan O'Brien (term began May 1, 2017)	\$12,083	\$13,600	\$25,683
Rob Paterson	\$23,999	\$30,600	\$54,599
Blaize Reich	\$22,027	\$27,900	\$49,927
Launi Skinner	\$12,083	\$15,500	\$27,583
Rob Wellstood	\$28,027	\$22,800	\$50,827
Total	\$347,488	\$389,100	\$736,588

¹ The above compensation may not be paid directly to Directors. At the direction of a Director, some or all of the compensation is paid to the credit union of which they are an officer or director.

Board and Committee Evaluations

The Conduct Review and Corporate Governance Committee manages the process of assessing the Board and its committees. It also manages director peer reviews. Board assessments are conducted on a biennial basis. In intervening years, director peer reviews are carried out. The committee retains an external consultant to design and analyze the results of the evaluation of Board effectiveness and the director peer review process.

In 2017, a Board evaluation was conducted by an external consultant. Upon receipt of the results, the consultant facilitated a session with the Board at its February meeting. The consultant provided a summary of that session to the Conduct Review and Corporate Governance Committee which made several recommendations, including reference material clarifying the process around committee and affiliate appointments. The consultants recommendations were implemented throughout the year and the remaining recommendations will be addressed in the next governance review.

Communication with Members

Central 1 is committed to communicating with its members and its stakeholders. Members and other interested parties can contact the Board, the Board Chairperson or any director by email: corporatesecretary@central1.com.

Interaction with the Regulators

The Board regularly meets with FICOM to discuss Central 1's risk profile and control environment and maintains open lines of communication with them on significant developments, including changes to the Board and senior management.

Our Total Rewards Philosophy

Central 1's compensation philosophy is designed to attract, retain and motivate the high-performing employees needed to deliver Central 1's products and services to our member credit unions and to their members. Central 1 believes the compensation that the CEO receives should be aligned with the contribution they make to the organization's overall short-term and long-term objectives. The compensation program is designed to:

- Reflect the organization's goals and objectives.
- Be competitive within the cooperative financial and credit union community.
- Be affordable in line with the realities of the market.

Central 1 seeks an equitable balance between establishing cash compensation (both base and at risk incentive pay) to attract qualified people from the financial and non-financial community and providing non-cash benefits commensurate with those in the credit union system. Overall the program is primarily cash-based.

CEO Cash Compensation

Base Salary

Base salary for the CEO is determined at the beginning of each year in line with individual performance and the median level of the designated market.

The designated market for Central 1 includes large B.C.-based credit unions, other credit unions with a significant asset base, western-based financial institutions, and member-driven organizations, as well as specific organizations for positions not found within this comparator group. Statistics on the assets under management and total number of full-time equivalents is used to ensure relevant comparisons are made.

Incentive Compensation (at risk incentive)

The short-term incentive program is designed to reward the achievement of performance objectives in the short term by providing a cash incentive.

The Board establishes the performance objectives for the CEO as well as the business plan for Central 1 and its operating budget.

The Board reviews the performance of the CEO at the end of each year and its evaluation determines the amount of incentive compensation that is awarded to the CEO.

The Board also determines the target and maximum incentive payments for the CEO. These targets are a percentage of base salary and are calculated based on actual earnings in the year.

	Target Incentive Payment	Maximum Incentive Payment (150 per cent of target)
President & CEO	60 per cent of base salary	90 per cent of base salary

Due to the strategic nature of the CEO, a higher percentage of the at risk pay is aligned with the organizational performance metrics as outlined in the table below.

	Collective Weighting	
Role	Organizational Performance Metrics	Individual Performance Metrics
President & CEO	70 per cent	30 per cent

Every three years, an outside consultant conducts a market review of the salary of the CEO. The external consultant analyzes the custom survey data, giving careful consideration to the scope and complexity of the role, and also to peer comparisons within the credit union sector.

CEO ¹	Amount
Base Salary	\$218,972
Short Term Incentive (paid in 2018 for 2017 fiscal year performance)	-
Total	\$218,972

Interim CEO ²	Amount
Base Salary	\$315,577
Short Term Incentive (paid in 2018 for 2017 fiscal year performance)	\$138,745
Total	\$454,322

¹Don Wright resigned as President & CEO effective July 7, 2017

²During 2017, Marilyn Mauritz was SVP Legal and General Counsel from January 1, 2017 through to July 7, 2017 and was Interim President and CEO from July 7, 2017 through the remainder of the calendar year. The amount included is her earnings for service in both roles during 2017.

Other Cash-Based Compensation

Central 1 offers a market-competitive perquisite program to the CEO, including an automobile allowance. In addition to the above total cash compensation, the CEO received benefits of \$5,657, and an annual car allowance of \$6,601 and the Interim CEO received benefits of \$11,053 and an annual car allowance of \$10,698.

Non-Cash Benefits

The CEO received non-cash benefits including employer-paid benefits, healthcare benefits, Group RRSP contributions, Supplemental Executive Retirement Plan (SERP) benefits and access to an executive medical program, totalling \$29,244 and the Interim CEO received the same benefits totalling \$35,872. Central 1 does not use options, stock appreciation rights, shares or units in its compensation framework.

The Group RRSP provides a retirement benefit based on employee and employer contributions that are accumulated with investment earnings. Under the Group RRSP, employer contributions are matched to employee contributions of six per cent of salary. Since the Income Tax Act imposes maximums on benefits provided under registered retirement plans, Central 1 provides supplemental retirement benefits through the SERP.

This enables the CEO to receive the benefit that they would have received if the Income Tax Act limits were not imposed on the registered plans. This benefit is further enhanced in that earnings under the SERP include 50 per cent of the annual incentive payment. On an annual basis, the Board has determined the notional rate of return to be Consumer Price Index (CPI) +3%.

Credit Unions in British Columbia and Ontario

Central Credit Unions

Central 1 Credit Union
Stabilization Central Credit Union of British Columbia

Credit Unions By Regions

B.C. Region

Aldergrove Credit Union
BlueShore Financial Credit Union
Bulkley Valley Credit Union
CCEC Credit Union
Coast Capital Savings Credit Union
Coastal Community Credit Union
Columbia Valley Credit Union
Community Savings Credit Union
Compensation Employees Credit Union
Creston & District Credit Union
East Kootenay Community Credit Union
First Credit Union
First West Credit Union
Grand Forks District Savings Credit Union
Greater Vancouver Community Credit Union
Gulf and Fraser Fishermen's Credit Union
Heritage Credit Union
Integris Credit Union
Interior Savings Credit Union
Khalsa Credit Union
Kootenay Savings Credit Union
Ladysmith & District Credit Union
Lake View Credit Union
Mount Lehman Credit Union
Nelson & District Credit Union
North Peace Savings and Credit Union
Northern Savings Credit Union
Osyoos Credit Union
Prospera Credit Union
Revelstoke Credit Union
Salmon Arm Savings and Credit Union
Sharons Credit Union
Spruce Credit Union
Summerland & District Credit Union

Sunshine Coast Credit Union
Union Bay Credit Union
Vancouver Firefighters Credit Union
V.P. Credit Union
Vancouver City Savings Credit Union
V.P. Credit Union
Vancouver City Savings Credit Union
VantageOne Credit Union
Westminster Savings Credit Union
Williams Lake and District Credit Union

Ontario Region

Adjala Credit Union Limited
Airline Financial Credit Union Limited
Alternia Savings and Credit Union Limited
Auto Workers Community Credit Union Limited
Bay Credit Union Limited
Buduchnist Credit Union Limited
CCB Employees Credit Union Limited
City Savings & Credit Union Limited
Comtech Fire Credit Union Limited
Copperfin Credit Union Limited
Creative Arts Savings & Credit Union Limited
DUCA Financial Services Credit Union Ltd.
Dundalk District Credit Union Limited
Education Credit Union Limited
Equity Credit Union Inc.
Estonian (Toronto) Credit Union Ltd.
Finnish Credit Union Limited
FirstOntario Credit Union Limited
Fort York Community Credit Union Limited
Frontline Financial Credit Union Limited

Ganaraska Credit Union Limited
Healthcare & Municipal Employees' Credit Union Limited
Health Care Credit Union Limited
Heritage Savings & Credit Union Incorporated
Italian Canadian Savings & Credit Union Limited
Kawartha Credit Union Limited
Kindred Credit Union Limited
Kingston Community Credit Union Limited
Korean Catholic Church Credit Union Limited
Korean (Toronto) Credit Union Limited
L.I.U.N.A. Local 183 Credit Union Limited
Libro Credit Union Limited
Luminus Financial Services & Credit Union Limited
Mainstreet Credit Union Limited
Member Savings Credit Union Limited
Meridian Credit Union Limited
Momentum Credit Union Limited
Motor City Community Credit Union Limited
Moya Financial Credit Union Limited
Northern Credit Union Limited
Ontario Educational Credit Union Limited
Ontario Provincial Police Association Credit Union Limited
Oshawa Community Credit Union Ltd.
Ottawa Police Credit Union Limited
PACE Savings & Credit Union Limited
Parama Credit Union Limited
PenFinancial Credit Union Limited
Quinte First Credit Union

Rapport Credit Union Limited
Resurrection Credit Union Limited
St. Stanislaus-St. Casimir's Polish Parishes Credit Union Limited
Smiths Falls Community Credit Union Limited
Southwest Regional Credit Union Ltd.
Sudbury Credit Union Limited
Taiwanese-Canadian Toronto Credit Union Limited
Talka Credit Union Limited
Tandia Financial Credit Union Limited
The Energy Credit Union Limited
The Police Credit Union Limited
The Toronto Municipal Employees' Credit Union Limited
The Police Credit Union Limited
The Toronto Municipal Employees' Credit Union Limited
Thorold Community Credit Union
Ukrainian Credit Union Limited
United Employees Credit Union Limited
Utilities Employees Credit Union (Windsor) Limited
Windsor Family Credit Union Limited
Your Credit Union Limited
Your Neighbourhood Credit Union Ltd.

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Central 1 Credit Union
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Audit and Finance Committee Terms of Reference

Approved: February 23, 2018

1.1 PURPOSE

The Audit & Finance Committee (Committee) is a committee of the Board of Directors (the Board) to which the Board has delegated responsibility for oversight over the financial reporting process.

Management is responsible for the preparation, presentation and integrity of Central 1's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information.

The Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- a) integrity of Central 1's financial statements
- b) external auditors' qualifications and independence
- c) performance of Central 1's internal audit function and external auditors
- d) adequacy and effectiveness of internal controls
- e) Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The Committee has oversight over budgets. The Committee acts as liaison between the external auditors, internal auditors and the Board. The Committee assists the Board in meeting its responsibilities in ensuring that the review of Central 1's financial operations and that of its subsidiaries, by the external auditor provides an independent report on the integrity of the financial data and reporting.

The Committee ensures compliance with financial and accounting policies and the Committee may make recommendations to the Board on any matters pertaining to the financial reporting process, including the audit process and internal controls.

1.2 COMPOSITION AND TERM OF OFFICE

- 1.2.1 The Committee shall consist of a minimum of five (5) directors. The members of the Committee shall be elected annually by the Board at the first meeting of the Board following Central 1's annual general meeting (AGM) to

hold office until the next AGM, unless the member becomes unable to serve or is removed by the Board. A casual vacancy may be filled, and additional members of the Committee may be appointed by the Board, to hold office until the next AGM.

- 1.2.2 Each member of the Committee must be able to read and understand financial statements to the level of detail and complexity to which Central 1 reports, including the notes attached thereto.
- 1.2.3 The members of the Committee must be independent as defined in the Board Structure section of the Board Manual and the majority of the members of the Committee shall not be (a) officers or employees of Central 1 or an affiliate of Central 1.
- 1.2.4 No more than one representative from any one credit union is permitted to serve on the Committee, except where one representative is serving as an ex-officio member of the Committee.
- 1.2.5 The Chairperson of the Risk Review and Investment and Loan Committee shall be an ex-officio member of the Committee, if not otherwise appointed to the Committee.
- 1.2.6 The Chairperson of the Board of Directors shall be an ex-officio member of the Committee.
- 1.2.7 The Committee shall elect one (1) of its members to be its Chairperson. The Chairperson of the Committee shall act in accordance with the Position Description: Committee Chairperson section of the Board Manual.

1.3 OBJECTIVES/DELIVERABLES

- 1.3.1 Oversight of External Auditors:
 - a) **Selection:** the Committee shall annually recommend to the Board the appointment, reappointment or termination of the external auditor. This recommendation shall be done sufficiently in advance of the next annual meeting of Central 1 to allow the Board to seek membership ratification. At regular intervals (not greater than every 5 years), the Committee will assess Central 1's external audit requirements and review the appropriateness of undertaking a full Request for Proposal (RFP) process, with such RFP process to be undertaken at the option of the Committee, if it so determines. The Committee shall report annually to the Board on the performance of the external auditor.
 - b) **Independence:** the Committee shall oversee the process to determine the independence of the external auditor. The Committee shall obtain and review a formal written statement from the external auditor describing all

relationships between Central 1 and the external auditor that may impact upon its independence. The Committee shall actively discuss with the external auditor any disclosed relationships or services that might impact on the independence or objectivity of the external auditor. The Committee shall report annually to the Board on the independence of the external auditor.

- c) The Committee shall annually review and approve Central 1's policy regarding the hiring of members of the external audit team and former external audit teams.

Related Information: Appendix 1 - Central 1 Credit Union Audit and Finance Committee Restriction on Employment of Members of External Audit Team

1.3.2 Compensation of External Auditors

Upon resolution of members of Central 1 that the remuneration of the external auditors is to be set by directors, the Committee will have the sole responsibility for setting the remuneration of such external auditor. In the case of an external auditor appointed to fill a casual vacancy, the Committee shall have sole responsibility for setting the compensation of such auditor without resolution of the members.

1.3.3 Pre-approval of Services

The Committee shall pre-approve all audit and non-audit services, including the provision of tax advice (other than "de minimus" non-audit services provided to Central 1 and its subsidiaries as defined in NI 52-110). If necessary, the Chairperson shall be authorized to provide such pre-approval throughout the year, with any such approvals being reported to the next regularly scheduled meeting of the Committee.

The Committee shall oversee Central 1's policy on services provided by its external auditor.

Related Information: Appendix 2 - Central 1 Credit Union Audit and Finance Committee Pre-Approval of Services Provided by Central 1's External Auditor

1.3.4 Reporting of External Auditors.

- a) The external auditors shall report directly to the Committee, and the Committee shall have responsibility for overseeing the activities of the external auditors, including resolution of any disagreements between management and the external auditors regarding financial reporting.

The Committee shall review, prior to the commencement of the audit, the audit engagement letter, audit plans and scope of the external audit, identifying special areas of concern to the external auditor. The Committee will monitor the audit process, the annual audit report and the findings of the examination after its completion.

- b) **Accounting Policies:** the Committee shall review with management and the external auditors the appropriateness of accounting policies and approve any changes thereto.

- c) **Reports:** the Committee shall review all written or oral reports made by the external auditor.

Such reports may include:

- i. Current and prospective changes in accounting policies and practices;
- ii. Alternative treatment of financial information within generally accepted accounting principles;
- iii. Review of transactions or investments, as brought forward by either the auditors or management, which could adversely affect the financial wellbeing of Central 1; and
- iv. Any other written communications between the external auditor and Central 1's management.

- d) **Review of Reportable Events:** the Committee shall review all reportable events (occurrences in the relationship between Central 1 and the external auditor which may have been a contributing factor in the resignation or termination of the external auditor) including disagreements, unresolved issues or consultations, as defined in NI 52-102, whether or not there is a change of the auditors.

- e) **In-Camera Meetings:** the Committee shall have an in-camera meeting with the external auditors at every Committee meeting, at which the external auditors are in attendance.

1.3.5 Oversight of Internal Auditor

- a) **Oversight:** The internal auditor shall report directly to the Committee, and the Committee shall have responsibility for reviewing and approving the Internal Audit Mandate; overseeing the activities of the internal auditor, including reviewing and approving the annual internal audit plan and identifying special areas of concern for internal audit review.

The Committee will monitor the internal audit process and the findings of examinations, including the status of identified control weaknesses and management's corrective action.

The Committee will review and concur in the appointment, replacement, reassignment, or dismissal of the Director, Internal Audit. On behalf of the Committee, the Chairperson shall provide input concerning the performance review and compensation of the Director, Internal Audit.

The Committee will regularly review the organizational structure of the internal audit function and annually review and approve the function's budget and resources.

- b) **Reports:** The Committee shall receive and review all written or oral reports made by the internal auditor and, in particular, recommendations for changes in internal control procedures or processes. The internal auditor will report to the Committee the response or determination of management with respect to any findings or recommendations.

The Risk Review and Investment and Loan Committee shall be copied on Internal Audit reports prepared for the Committee.

1.3.6 Review of Annual Audited Financial Statements, Quarterly Unaudited Financial Statements

The Committee shall review and discuss with management and the external auditors Central 1's annual audited financial statements and Central 1's unaudited quarterly financial statements. In addition, the Committee shall review the annual audited financial statements of Central 1's subsidiaries.

In reviewing the financial statements, the Committee shall:

- a) Ensure that they are complete and consistent with the information known to the Committee;
- b) Review, if applicable, the contents of management's representation letters to the external auditors;
- c) Discuss with management and, if applicable, the external auditors whether they reflect appropriate accounting principles, considering the quality of the principles selected;
- d) Discuss any actual or proposed changes in accounting or financial reporting and consider their impact on the financial statements;
- e) Discuss any related party transactions;
- f) Discuss any unusual, complex or significant events, such as legal actions, claims or contingencies or areas where significant judgment has been exercised, such as valuations, losses and reserves; and
- g) The Committee will recommend to the Board the approval of Central 1's consolidated financial statements.

1.3.7 Review of Financial Disclosures

The Committee shall review the contents of all periodic public disclosure documents and all event driven disclosure documents for which the Committee's review is deemed necessary by the Disclosure Committee before release, including the

Management Discussion & Analysis, any prospectus and any financial report, statement or return (including associated press releases) that requires the approval of the Board before filing or release.

The Committee must satisfy itself that adequate procedures are in place for the review of Central 1's public disclosure of financial information extracted from or derived from the financial statements (i.e. press releases, information posted to Central 1's website and any other form of public communication). While this information is currently vetted through the Disclosure Committee, the Committee must periodically assess the adequacy of the processes and procedures followed by the Disclosure Committee and the adequacy of management representation on that Committee. The Committee shall review the Disclosure Policy at least every two years and, if deemed advisable, recommend changes to the Board.

1.3.8 Controls and Procedures

- a) **Oversight:** The Committee shall provide oversight of Central 1's internal accounting controls, of its disclosure controls and procedures and of its Ethical Reporting Policy. The Committee shall require management to implement and maintain appropriate systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error. The Committee shall receive and review reports from other board committees with regard to matters that could affect financial reporting, including the major financial and business risks to which Central 1 is exposed, and management's actions to monitor and control such exposures.
- b) **External Auditor Reporting:** The Committee shall consider the external auditors' management letters, recommendations and comments with respect to accounting treatment and internal controls and management's responses and subsequent follow-up of any identified weaknesses.
- c) **Internal Auditor:** The Committee shall meet with the internal auditor and with management to discuss the effectiveness of internal control procedures and shall approve recommendations for improvements.
- d) **CEO/CFO Certification Program:** The Committee shall oversee Central 1's CEO/CFO Certification program and the meeting of its obligations under that program.
- e) **Procedures for Complaints:** The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Central 1 regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential, anonymous submission by Central 1's employees of their concerns regarding questionable accounting and internal controls over auditing matters.

- f) **Additional Powers:** The Committee shall have such other duties as may be delegated to it by the Board, from time to time.
- g) The Committee shall receive material of the Risk Review and Investment & Loan Committee.

Related Information: Ethical Reporting Policy

1.3.9. Oversight of Budgets

- a) The Committee shall review, annually, Central 1's Operating Budget, Dues Budget and Capital Asset Budget and recommend their approval to the Board.
- b) At least biennially, the Chief Financial Officer will present the Budget Policy to the Committee for review and recommendation to the Board.

1.3.10. Review Inspection Reports

- a) **FICOM:** The Committee shall review inspection reports prepared by the Superintendent of Financial Institutions and the contents of the Board's proposed response. The Committee shall recommend the Board's proposed response to the Board.

1.4 MEETINGS AND PROCEDURES

- 1.4.1 The Committee shall meet as it deems necessary to fulfill its duties hereunder, but no less than once each quarter. The time and location of the meetings and the procedures to be followed at such meetings shall be determined, from time to time, by the Committee.

The Board Chairperson, the Committee Chairperson, any two (2) members of the Committee, the internal auditor, the external auditors, or the Corporate Secretary may call meetings of the Committee. The external auditor shall be given notice of, and shall have the right to appear before, every Committee meeting.

The Committee may meet in person, by conference call or by other electronic means.

- 1.4.2 Whenever possible, seven (7) days' notice of the meeting shall be provided, in writing, to members of the Committee, the external auditors and any invited persons. The agenda and required reports shall be circulated to the Committee (via Diligent or e-mail) one week in advance of the meeting date, whenever possible.
- 1.4.3 A quorum at any meeting of the Committee shall be a majority of the members of the Committee, excluding any ex-officio members. Decisions of the Committee will be by an affirmative vote of the majority of those members of the Committee voting at a meeting. The Committee may also act by resolution in writing signed by all the members of the Committee.

- 1.4.4 The external auditor, the internal auditor, and the provincial Superintendent of Financial Institutions shall have the right to appear before and be heard at any meeting of the Committee and to request the Committee Chairperson to consider any matter that the requisitioning party believes should be brought to the attention of Directors or members.
- 1.4.5 The Chairperson of the Committee shall appoint a Secretary who need not be a director to keep minutes or other records of the meeting.
- 1.4.6 The Committee will meet "in-camera" at each meeting with only the members of the Committee present.
- 1.4.7 The Committee will meet "in-camera" with the internal auditor at every meeting at which the internal auditor is in attendance.
- 1.4.8 At least quarterly, the Committee shall meet "in-camera" with the Chief Financial Officer.
- 1.4.9 The Committee may invite any director, officer or employee of Central 1 or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee, including: the external auditor, external counsel, the internal auditor, Chief Risk Officer, the President and Chief Executive Officer or any member of executive management.

1.5 MANAGEMENT AND RESOURCES

- 1.5.1 The Committee shall be resourced by the Chief Financial Officer.
- 1.5.2 The Committee shall have the authority to engage and determine funding for any independent counsel, accountants, and other external consultants and resources, as it may deem necessary to carry out its responsibilities, provided that all contracts for such services shall be reviewed, where appropriate, by Central 1's Legal Department and that any contract in excess of \$10,000 must be approved by the Chairperson of the Board or the Board prior to execution. The Committee shall report to the Board on any undertakings to engage such advisors, including the level of compensation.

1.6 RECORDS

The official records of the Committee including all meeting material and minutes are maintained by the Office of the Corporate Secretary. Minutes of every meeting shall be recorded and available to Committee members and the Board.

1.7 ACCOUNTABILITY

The Committee is accountable to the Board. The Chairperson of the Committee

shall report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board, at the Board's regularly scheduled meeting.

1.8 EVALUATION OF COMMITTEE EFFECTIVENESS

The Committee shall annually review and assess the adequacy of its mandate and its effectiveness in fulfilling its mandate. As part of this review, the Committee will review and assess the adequacy of its Terms of Reference on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines, and, if appropriate will recommend changes to the Conduct Review and Corporate Governance Committee.

1.9 COMMITTEE OUTPUT

The major annual activities of the Committee are outlined in the schedule on the following page.

1.10 AMENDMENTS

The Board must authorize substantive amendments to these Terms of Reference. The Committee may make administrative amendments, including amendments related to dates, organization, and similar matters.

Appendix 1

Central 1 Credit Union Audit & Finance Committee – Restriction on Employment of Members of External Audit Team

Approved: February 23, 2018

1.1 PURPOSE

To maintain the independence of the External Auditor and to prevent a potential conflict of interest, Central 1 shall not employ a key member or former key member of the external audit firm in a financial reporting oversight role until a period of one year or more has elapsed from the date of the financial statements, on which that person participated in an audit, review or attestation engagement capacity, were filed with the relevant securities regulator. For the purposes of this policy, a key member includes all partners involved in the audit, review or attestation engagement and any employees of the auditor involved in the audit in a management or decision-making capacity.

Appendix 2

Central 1 Credit Union Audit & Finance Committee – Pre-Approval of Services Provided by Central's External Auditor

Approved: February 23 ,2018

1.1 PURPOSE

Central 1's Audit & Finance Committee shall pre-approve all services to be provided by Central 1's external auditor. In addition to audit services, Central 1's external auditors may provide Central 1 with certain other services which are listed in the section below entitled Permitted Services. Central 1 may not engage its external auditors to perform services that are inconsistent with an auditors' independence. A description of prohibited services is included in the section below entitled Prohibited Services.

1.2 PERMITTED SERVICES

Central 1 may retain its external auditors to perform the following services:

1.2.1 Audit Services

a) Audit Related Services – Tax Services

- i. compliance services,
- ii. Canadian & US tax planning services
- iii. Commodity Tax Services
- iv. Executive Tax Services

b) Other Services

- i. Valuation Services, except for financial reporting purposes
- ii. Information Technology Advisory and Risk Management Services (this includes assistance in ensuring that technology processes are operating efficiently)
- iii. Actuarial Services, except for items which are included in the financial statements
- iv. Forensic and Related Services
- v. Corporate Recovery Services (this includes tax recoveries such as Scientific Research & Experimental Development claims)
- vi. Transaction Services (this includes providing assistance in structuring significant acquisitions)

- vii. Project Risk Management Services (this includes providing project management services for systems implementations such as PeopleSoft)
- viii. Operational Advisory and Risk Management Services (this includes information risk management which may be increased by a major structural change such as a merger)
- ix. Regulatory and Compliance Services

1.2.2 Prohibited Services

Central 1 may not retain its external auditor to perform any service that is inconsistent with an auditor's independence. Prohibited services include, but are not limited to, the following:

- a) bookkeeping or other services related to the audit client's accounting records or financial statements;
- b) financial information systems design and implementation;
- c) appraisal or valuation services for financial reporting purposes;
- d) actuarial services for items recorded in the financial statements;
- e) internal audit outsourcing services;
- f) management functions;
- g) Human Resources;
- h) corporate financing activities;
- i) legal services; and
- j) expert witness services.

1.3 POLICY

For permitted services the following pre-approval policies will apply:

- a) **Audit Services:** The Audit & Finance Committee will pre-approve all audit services provided by Central 1's external auditor through its recommendation of the external auditor at Central 1's AGM and through the Audit & Finance Committee's review of the external auditor's annual Audit Plan.
- b) **Pre-Approval of Audit Related, Tax and Other Non-Audit Services:** On an annual basis, the Audit & Finance Committee will update the attached list of Permitted Services and pre-approve services that are recurring or otherwise reasonably expected to be provided. The Audit & Finance Committee will be subsequently informed of the services on the attached list for which the auditor has been actually engaged.

- c) **Approval of Additional Services:** The Central 1 employee making the request will submit the request for service to the Chief Financial Officer. The request for service should include a description of the service, the estimated fee, a statement that the service is not a Prohibited Service and the reason that the external auditor is being engaged.

The Chief Financial Officer may approve an engagement for additional non-audit services if (i) the aggregate amount of fees for all non-audit services that were not pre-approved is reasonably expected to not exceed five (5) per cent of the total Audit Service fee during the fiscal year (ii) Central 1 did not recognize the services as non-audit services at the time of the engagement and (iii) the services are promptly brought to the attention of the Audit & Finance Committee and approved, prior to the completion of the audit, by the Audit & Finance Committee or the Chairperson of the Audit & Finance Committee. Recommendations in respect of all other engagements will be submitted by the Chief Financial Officer to the Chairperson of Audit & Finance Committee for consideration and approval. The engagement may commence upon approval of the Chairperson of the Audit & Finance Committee. The full Audit & Finance Committee will subsequently be informed of any additional services, at its next meeting.