

Director Orientation, Education and Development Policy

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1.1 PURPOSE

The purpose of this Director Orientation, Education and Development Policy (the “**Policy**”) is to set out guidelines for the education and skill development of directors to support them in their role on the Board Directors (the “**Board**”) of Central 1 Credit Union (“**Central 1**”). This Policy includes guidance for directors on:

- a) new director orientation,
- b) mandatory courses,
- c) continuing formal and informal education, and
- d) conferences and industry events

1.2 INTRODUCTION

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 member credit unions and thereby, contribute to enhancing the credit union system.

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:

- a) develop within the first year of being a director of Central 1 a basic understanding in each of the following areas (“**Threshold Business Competencies**”):
 - i. Financial Literacy,
 - ii. Risk Management Knowledge,
 - iii. Liquidity Management Knowledge’
 - iv. Legal and Regulatory Knowledge’
 - v. Central 1 business and Functions Knowledge; and
 - vi. Such other competencies that may be added by the Board from time to time. The Threshold Business Competencies are defined in Appendix I; and
- b) continue to deepen their education in the areas listed in (a) above and improve their skills, professional qualifications and experience.

1.3 NEW DIRECTOR ORIENTATION

Following election to Central 1’s Board, new directors will attend Central 1’s director orientation. The Board Chairperson shall assign to new directors a mentor from amongst fellow directors. The Board Chairperson and mentor will be invited to attend the orientation session. The orientation program is overseen by the Conduct Review and Corporate Governance Committee (“**Committee**”).

The new directors will be surveyed to obtain feedback on possible improvements/revisions to the orientation session. The results of the survey will be provided to, and reviewed by, the Committee.

1.4 ORIENTATION BRIEFING MATERIAL

The orientation will include a comprehensive set of briefing material including:

- a) the online Board Manual, resources in this document include the Financial Institutions Act, the Credit Union Incorporation Act and Central 1’s Constitution and Rules;
- b) FICOM Governance Guidelines,
- c) OFSI Governance Guidelines;
- d) a copy of the Strategy Plan and the most recent quarterly update;
- e) the most recent Annual Report and quarterly financial report;
- f) a summary of the director’s liability insurance and indemnity; and

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- g) access to the online board portal, the resource for all Board and Committee meeting materials, meeting calendars and schedule of dates for upcoming Board meetings, archives, board manual and library of resources.

1.5 GOALS OF DIRECTOR ORIENTATION

The goals of the director orientation program are to:

- a) help new directors understand Central 1, its operations and working environment including:
 - i. strategic priorities, initiatives and key performance indicators;
 - ii. summary details of principle assets, liabilities, significant commitments and major stakeholders;
 - iii. organizational structure;
 - iv. major risks and risk management strategy;
 - v. operational or financial constraints imposed by legislation or otherwise; and
 - vi. Director's Conflict of Interest Policy.
- b) build links to the individuals who make up Central 1; including:
 - i. opportunities to meet and get to know fellow directors;
 - ii. meetings with the Chief Executive Officer ("CEO") and the executive leadership team;
 - iii. visits to Central 1 offices to meet employees; and
 - iv. build an understanding of Central 1's main relationships, including those with members and stakeholders.

1.6 MANDATORY EDUCATION

All directors are required to complete either the Level A: Foundations of Governance of the Credit Union Director Achievement ("CUDA") or CUES training program as approved by Central 1 within the first year of his or her service or meet such other training requirements as described by Central 1 from time to time. All directors are also required to attend Central 1's in-house education sessions. These sessions will be aimed at the Core Competencies.

1.7 CONTINUING FORMAL AND INFORMAL EDUCATION

Once director orientation and mandatory educational requirements have been met, Central 1 requires directors to continue to develop their skills, professional qualifications and experience through formal and informal education opportunities.

1.7.1 Formal Education

Directors are strongly encouraged to pursue a minimum of two half- or full-day opportunities for continuing development each calendar year. Such education will be through formal courses such as those offered through CUDA, CUES, the Institute of Certified Directors ("ICD") or through other professional business partners such as external accounting and law firms. These sessions will be aimed at the Core Competencies.

To determine which courses directors will pursue, the Corporate Secretary circulates monthly a catalogue of available courses. Directors will review the list of courses and select those they wish to pursue in the coming year.

Upon occasion, the Board may identify other formal professional development opportunities for directors. These will be provided through the year as they arise.

Directors are free to take advantage of professional development opportunities not previously identified by the Board but must obtain approval from the Board Chairperson before pursuing such opportunities.

1.7.2 Informal Education

From time to time, opportunities for informal education through industry sponsored webinars or other events will arise. As these opportunities become known, the Corporate Secretary will circulate registration information to directors as part of the monthly update to available courses.

The Corporate Secretary may also circulate material or articles that may be of interest to directors, either in the monthly update to formal and informal education, posting on Central 1's board portal or in the Board package as information items.

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1.7.3 Accredited Director Education Certification Program

Central 1's Committee will consider applications for an approved accredited director education certification program (for example, Institute of Corporate Director's Director Education Program or Chartered Director Program) from directors who have not previously successfully completed an external director certification program.

Payment for this program will represent that director's entitlement under this Policy for the entirety of his or her term. In the instance where the director's credit union has an education policy, that director will utilize that policy, with Central 1 covering the balance.

Directors who wish to complete a certification program must submit an application to the Committee outlining the following:

- a) the remaining number of years within the director's term and the ability and willingness of the director to continue to serve on Central 1's Board beyond his or her current term,
- b) the current leadership responsibility of the director within the Board or the leadership potential of said director,
- c) cost sharing opportunities, and
- d) likelihood of acceptance and ability to take the program in the given year.

1.8 CONFERENCES AND INDUSTRY EVENTS

Attendance at conferences and industry events can be beneficial to director's development and Central 1. To ensure directors and Central 1 obtain maximum benefit from conferences and industry events, the Board has developed the following guidelines:

- a) the Board Chairperson's approval must be obtained before a director commits to attend any conference or industry event on behalf of Central 1;
- b) early each year the Corporate Secretary will circulate a list of conferences and industry events directly related to matters relevant to Central 1, the financial services industry or Board governance. Directors interested in attending any of these conferences or industry events should submit a request to the Board Chairperson, with the understanding that in some cases attendance may be determined by who would best represent Central 1 (by a director with a specialized background, for instance) rather than by who is interested in attending;
- c) except for Central 1's or Canadian Credit Union Association's annual conferences or unless otherwise directed by the Board, no more than three directors, including the Board Chairperson, may attend a given conference or industry event. If a director has attended a conference or industry event within the past year, preference may be given to other directors who are interested in attending a conference or industry event; and
- d) directors are encouraged to avoid attending conference or events that conflict with regularly scheduled committee and/or Board meetings. Directors who attend conferences or industry events on behalf of Central 1, where the amount to be reimbursed by Central 1 exceeds \$1,000, must provide a written report of what they learned and how it will benefit Central 1 at the next regular Board meeting. If more than one director attends the same conference or industry event this may be a joint report.

If a director is registered for a conference or industry event and becomes unable to attend, he or she must give at least 48 hours' notice. If this notice is not provided, the director will be required to reimburse Central 1 for any costs incurred.

1.9 RECORDS

The Corporate Secretary will maintain a record of mandatory, continuing formal and informal education and conferences and industry events attended by directors each year and provide annually a report to the Committee. The information will be made available to members in the annual governance report.

1.10 EDUCATION EXPENSE ALLOWANCE

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 (exclusive of reasonable expenses as outlined in the Director Compensation and Expense Policy) for each three-year term he or she serves, with shorter terms being pro-rated. The allowance is to cover registration for the CUDA or CUES training program, continuing formal and informal education, accredited director education certification program and conferences and industry events.

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1.11 COMPENSATION FOR DIRECTOR EDUCATION

Directors receive a per diem fee for attendance at orientation sessions in accordance with the Director Compensation and Expense Policy.

Directors do not receive meeting or per diem fees for attending the CUDA or CUES training program (or other mandatory education), continuing formal and informal education, accredited director education certification program and conferences and industry events (i.e. conferences, educational courses) although they may be reimbursed for associated reasonable expenses as outlined in the Director Compensation and Expense Policy.

1.12 REPORTING

1.12.1 Measures

The Board will measure adherence to this Policy on an annual basis by reviewing the actual practices in relation to the directives of this Policy.

1.12.2 Reporting

The following reports, at a minimum, will be provided to the Board and/or the Committee.

Report Frequency	
Report on conferences attended and continuing education completed by each director	Annually to the Committee
Report on each director's progress towards achieving CUDA, CUES or equivalent designation	Annually to the Committee
As a section in the quarterly director expense report, a summary of the actual expenditure on director development, including funds spent on courses attended by directors	Quarterly to the Committee

1.13 AMENDMENT

The Board must authorize substantive amendments to this Policy, including amendments to rules and procedures. The Corporate Secretary, with the President and CEO's approval, may make administrative amendments to this Policy, including amendments related to formatting, organization, spelling and similar matters.

1.14 REVIEW

The Board has the authority to amend director's competency requirements, competency levels and general director training and development requirements. The Committee will review this Policy annually and make recommendations to the Board regarding the same, as it considers appropriate.

The Corporate Secretary will maintain appropriate records, including assessment results; training and development plans; and efforts/courses to achieve competency level required by this Policy.

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APPENDIX I

THRESHOLD BUSINESS COMPETENCIES

Financial Literacy

All directors should demonstrate an ability to read, interpret and understand basic financial information and financial principles. Directors should be able to understand the overall financial performance of Central 1 through a review of basic accounting statements, such as the balance sheet and income statement. All directors should be able to contribute to discussions regarding financial performance and objectives.

Risk Management Knowledge

All directors should broadly understand the concepts around enterprise risk management as well as system-wide risk management. The directors should be able to identify and describe the range of risks that Central 1 is exposed to (both as a business and as part of the credit union system) and have a high level understanding of how those risks are mitigated.

Liquidity Management Knowledge

All directors have a basic understanding of liquidity management and monitoring principles. The directors should have knowledge of the sources of liquidity available to financial institutions broadly and Central 1. All directors should have exposure to commercial or inter-financial institution lending. All directors should have a high level understanding of the payments, settlement and clearing operations of financial institutions and Central 1.

Legal & Regulatory Knowledge

All directors are able to identify general legal risks related to Central 1 and have a general understanding of the regulatory requirements of Central 1, financial institutions and reporting self-issuers (i.e., a public company). All directors are capable of understanding and applying the information contained in management's compliance reports.

Central 1 Business & Functions Knowledge

All directors have a strong grasp of Central 1's cooperative business model and primary functions from a wholesale business perspective. All directors have familiarity with Central 1's role as a liquidity provider and its strategy, organizational structure, major stakeholders, key business drivers and related risks.