

Conduct Review and Corporate Governance Committee Terms of Reference

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1.1 PURPOSE

The Conduct Review and Corporate Governance Committee (“**Committee**”) is a committee of the Board of Directors (the “**Board**”) to which the Board has delegated responsibility for ensuring performance by Central 1 of the corporate governance duties set out in the *Financial Institutions Act* (“**FIA**”), *Credit Union Incorporation Act* and other applicable laws and requirements of regulatory bodies having jurisdiction. The Committee is also responsible for overseeing the quality and the effectiveness of Central 1’s corporate governance.

The Committee derives its authority from the Board, and Parts 4 and 5 of the FIA.

1.2 COMPOSITION AND TERM OF OFFICE

- a) The Committee shall consist of a minimum of five (5) directors. The members of the Committee shall be elected or appointed, as the case may be, 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. A member of the Committee ceases to be a member of the Committee when he or she ceases to be a director of Central 1 or when he or she resigns from the Committee or is removed or replaced 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.
- b) A majority of the Committee must be Independent as defined in the Structure section of the Board Manual. None of the members of the Committee shall be: (a) an employee of Central 1 or any of its subsidiaries; or (b) an officer of Central 1 or any of its subsidiaries who are involved in the day-to-day operation of Central 1 or its subsidiaries.
- c) 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.
- d) The Chairperson of the Board of Directors shall be an *ex-officio* member of the Committee, if not otherwise elected to the Committee.
- e) The Chairperson of the Committee shall be elected by the Board at the first meeting of the Board following Central 1’s Annual General Meeting but shall not be the Chairperson of the Board. If the Committee Chair should vacate the position, the Board will elect a successor. The Chairperson of the Committee shall: (a) act in accordance with the Position Description: Committee Chairperson section of the Board Manual; and (b) approve the Board Chairperson’s meeting fees, per diem amounts and expenses, which in the case of a director other than the Board Chairperson would require approval by the Board Chairperson pursuant to the Director Compensation and Expense Policy.

1.3 DUTIES AND RESPONSIBILITIES

The Committee shall perform the following duties, as well as any other duties specifically delegated to the Committee from time to time by the Board, including:

1.3.1 Procedures Designed to Prevent and Resolve Conflicts of Interest

The Committee shall:

- a) at least biennially, review and approve written procedures designed to prevent conflicts of interests and to resolve them if they occur, setting out techniques for the identification of potential conflict of interest situations, and for restricting the flow of confidential information, the current version of such procedures being attached hereto as Schedule “A”;
- b) at least biennially, review and, as deemed necessary or advisable, recommend to the Board for approval changes to, the Code of Conduct
- c) at least biennially, review and, as deemed necessary or advisable, recommend to the Board for approval changes to, the Director’s Conflict of Interest Policy; and
- d) resolve conflicts of interest that may arise from time to time.

1.3.2 Monitoring and Approving Related Party Transactions

The Committee shall:

- a) at least biennially, review and approve procedures with respect to the monitoring and approval of related party transactions by the Committee, including in accordance with Part 5 of the FIA, the current version of such procedures being attached hereto as Schedule “A”;

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- b) review and, if deemed in the best interests of Central 1 (or if applicable, both Central 1 and any subsidiary of Central 1 who is party to the transaction), approve for the purposes of Part 5 of the FIA all related party transactions, or classes of transactions, to be entered into by Central 1 and/or any of its subsidiaries, as such transactions arise, which are permitted under the FIA with the Committee's approval, and, if the Committee approves a related party transaction for which such approval is required, set forth in writing the factors considered by it, which such factors must include:
 - the fair market value of the consideration paid by or received by Central 1 (or its subsidiary);
 - the nature of the transaction in relation to the usual business of Central 1 (or its subsidiary); and
 - in the case of a transaction involving a loan by Central 1 (or its subsidiary), the nature of the security and its value in relation to the principal amount of the loan; and
- c) report to the Board, at each meeting of the Board, the particulars of all related party transactions that have been approved by the Committee (if any that have not already been so reported) in the period immediately preceding that meeting, including the name of the related parties involved in the transaction, the nature of each transaction and the value of each transaction.

1.3.3 Other Duties as Required by Parts 4 and 5 of the FIA

The Committee shall:

- a) review and, if it deems appropriate, approve for the purposes of Part 5 of the FIA any sale of or voting of or refusal of an offer for, any securities issued by Central 1 or a related party of Central 1 and held in trust by Central 1, provided that the reasons for such sale, vote or refusal are entered into the minutes of the Committee;
- b) annually, provide a written report to the Board on securities that have been issued by Central 1 (or a related party of Central 1) and are held in trust by Central 1 as a fiduciary, during the immediately preceding financial year, containing the disclosure required by Part 5 of the FIA;
- c) annually review and recommend to the Board for approval the year-end report to FICOM on the proceedings of the Committee and on all matters reviewed by the Committee, and on procedures established by management to promote compliance with applicable corporate governance legislation and guidelines, during the year, which report shall be delivered within ninety days of the end of each financial year for so long as required by FICOM; and
- d) perform such other duties as are required under Parts 4 or 5 of the FIA or as may from time to time be assigned by the Board.

1.3.4 Corporate Governance Practices

The Committee shall:

- a) monitor regulatory guidelines, best practices and trends in corporate governance and develop recommendations relating thereto for consideration by the Board as it deems necessary or advisable;
- b) oversee the adequacy and effectiveness of Central 1's corporate governance policies and procedures and recommend improvements to the Board for approval as deemed necessary or desirable;
- c) annually review and, as deemed necessary or advisable, recommend to the Board for approval changes to, the Board Structure and Mandate, Position Descriptions of Board Chair, Vice-Chair and Committee Chair, Committee terms of reference and Directors' Terms of Reference;
- d) review and, as deemed necessary or advisable, recommend to the Board for approval changes to, other committee terms of reference which are recommended to the Committee;
- e) triennially, oversee Central 1's corporate governance review required pursuant to Central 1's Rules;
- f) as frequently as required, review and, as deemed necessary or advisable, recommend to the Board for approval changes to, Central 1's Rules;
- g) develop and oversee maintenance of Central 1's Board of Directors' Manual;
- h) review and approve the corporate governance disclosure section of Central 1's annual report and annual MD&A, as applicable, and any other corporate governance disclosure included in public disclosure documents;
- i) annually receive a report from the Corporate Secretary in accordance with the Procedures Regarding Assessments of the Suitability and Integrity of Central 1's Responsible Persons;
- j) review and recommend to the Board for approval, as often as required due to applicable regulatory changes, the Policy Regarding Assessments of Suitability and Integrity of Central 1;
- k) monitor the adoption of, implementation of and adherence to enterprise risk management guidelines as they relate to corporate governance and recommend improvements to the Board as deemed necessary or desirable;
- l) annually review and, as deemed necessary or advisable, recommend to the Board for approval changes to, Central 1's Appointments Policy; and
- m) annually, provide input to the Chairperson of the Board on the appointment of members of committees appointed by Central 1 and Central 1's representatives to affiliated and subsidiary entities.

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1.3.5 Board Composition, Operations and Evaluation

The Committee shall:

- a) review, from time to time, the size, composition and profile of the Board, taking into account age, diversity, geographical representation, disciplines, gender and other issues it considers appropriate and which may affect the dynamics of the boardroom;
- b) review, from time to time, the structures and procedures of the Board and its relationship with management to ensure that it can function independently;
- c) annually review and update a Board Matrix that sets out key qualifications, skills and experience for directors that are desirable for the Board as a whole reflecting Central 1's dual mandate as a wholesale financial institution and trade association and changes to Central 1's strategic opportunities and risks;
- d) annually conduct and review the Board's Gap Analysis, the results of which will be provided to the Board's Nominations and Elections Committee;
- e) annually in conjunction with the Board Chairperson, review and provide recommendations to the Board for approval regarding the composition of the Board's committees and the boards of directors of affiliates;
- f) annually, develop and lead the Board, committee, Chairs and director evaluation process (alternating years (i) Board and committee evaluation and (ii) Chairs and individual director evaluation), including evaluating the effectiveness of Board and committee meetings, assessing the results, and recommending improvements to the Board as deemed necessary or desirable; and
- g) at least biennially evaluate the process for assessing the performance of the Board, committees, Chairs and directors and, as deemed necessary or advisable, recommend improvements to the Board for approval.

1.3.6 Director Compensation, Education and Protection

The Committee shall:

- a) at least quarterly, review a summary of Directors' expenses for the preceding quarter;
- b) at least triennially, cause to be undertaken through appointment of an ad hoc committee a comprehensive review of the remuneration, including perquisites, of directors, committee chairpersons and the Board Chairperson and of Central 1's Director Compensation and Expense Policy and, as deemed necessary or advisable, recommend improvements to the Board for approval;
- c) annually review, and as deemed necessary or advisable, recommend to the Board changes to, the Director Compensation and Expense Policy (other than core remuneration items);
- d) annually review and, as deemed necessary or advisable, recommend to the Board for approval changes to, the director Orientation, Education and Development Policy;
- e) monitor director education funding and identify general education sessions for all directors from time to time; and
- f) at least biennially, review the adequacy of Central 1's directors' and officers' liability and corporate errors and omissions insurance coverages and, as deemed necessary or advisable, recommend changes to the Board for approval.

1.3.7 Executive Management Relations

The Committee shall:

- a) monitor, from time to time, the quality of the relationship between management and the Board and, as deemed necessary or advisable, recommend improvements to the Board;
- b) review proposed changes, as they arise, to Central 1's organization structure which would have a material effect on reporting lines or independence of key control groups such as internal audit, finance, legal, compliance and risk management and, as deemed necessary or advisable, make recommendations to the Board regarding such changes for approval; and
- c) advise executive management on topics for presentation to or for discussion at sessions held in conjunction with general membership meetings, conferences, Board planning, director orientation, Board meetings and other opportunities for director education, as they arise, and evaluate the effectiveness of those meetings.

1.3.8 Distinguished Services Awards

The Committee shall review and approve the nomination of candidate(s) for submission to the Credit Union Foundation of British Columbia for the Distinguished Service Award in years in which Central 1's annual general meeting is held in British Columbia.

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1.4 MEETINGS AND PROCEDURES

- a) 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 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, or the Corporate Secretary may call meetings of the Committee. The Committee may meet in person, by conference call or by other electronic means.
- b) Whenever possible, seven (7) days' notice of the meeting shall be provided, in writing, to members of the Committee, and any invited persons. The agenda and required reports shall be circulated to the Committee (via the Board's web portal or e-mail) one week in advance of the meeting date, whenever possible.
- c) 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 consented to by all the members of the Committee, except in respect for resolutions establishing, reviewing, altering or evaluating practices established by Central 1 relating to related party transactions.
- d) The Chairperson of the Committee shall appoint a Recording Secretary who need not be a director to keep minutes or other records of the meeting.
- e) The Committee will meet "*in-camera*" at each meeting with only the members of the Committee present.
- f) 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 President and Chief Executive Officer, any member of executive management, external auditor, or external counsel.

1.5 MANAGEMENT AND RESOURCES

- a) The Committee shall be resourced by the Chief Transformation and Legal Officer, Corporate Secretary.
- b) The Committee shall have the authority to engage and determine funding for any independent counsel, consultants and advisors, 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 external resources, 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. 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 Board for approval. The Committee shall assess its effectiveness in fulfilling its mandate through its inclusion in the review of Central 1 Committees lead by the Committee.

1.9 COMMITTEE OUTPUT

The major periodic activities of the Committee are outlined in Schedule "B" attached hereto.

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.

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SCHEDULE A

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTION PROCEDURES

The *Financial Institutions Act* (“**FIA**”) and *Credit Union Incorporations Act* (“**CUIA**”) impose certain requirements upon Central 1 with respect to conflicts of interest and transactions with related parties. These procedures are intended to assist Central 1 Credit Union (“**Central 1**”) with complying with those requirements, however, they are not intended to be comprehensive and applicable legislation must be reviewed in appropriate circumstances in consultation with the Chief Transformation and Legal Officer, Corporate Secretary. References to “related parties” herein are to “related parties” as defined in Part 5 of the FIA.

1. Dealing with Conflicts of Interest

Directors of Central 1 must comply with the procedures for dealing with conflicts of interest of Directors set out in the Directors Conflict of Interest Policy as approved by the Board of Directors of Central 1 (“**Board**”) from time to time and the requirements of the FIA and CUIA with respect to conflicts of interest, as applicable. Officers and employees of Central 1 must comply with the procedures for dealing with conflicts of interest of Officers and employees set out in the Central 1 Code of Conduct as approved by the Board from time to time, the FIA and the CUIA, as applicable. In addition, Directors and Officers of Central 1 must comply with Central 1’s applicable policies and standards with respect to handling of confidential information in order to avoid conflicts arising in connection therewith.

2. Identification of Related Parties

Each Director and Officer of Central 1 shall annually complete such forms, documents or electronic confirmations for the purpose of identifying related parties of Central 1 as may be approved by Central 1’s Corporate Secretary from time to time and shall promptly provide necessary revisions to such disclosure if it becomes inaccurate or incomplete. Such disclosure shall be delivered to the Corporate Secretary who shall compile an inventory of Central 1’s related parties as identified pursuant to the foregoing.

3. Review and Approval of Related Party Transactions

A copy of the related party inventory shall be delivered to the President and Chief Executive Officer of Central 1; to each member of the Conduct Review Committee (“**Committee**”); and to each of the Central 1’s Officers. These persons shall be instructed to report, to the Central 1’s Corporate Secretary, all proposed transactions between Central 1 or an entity controlled by Central 1 and a related party. In the case of any proposed transaction of Central 1 (or its subsidiary), where Central 1 has reason to believe that the other party to the transaction is a related party of Central 1, it shall take all reasonable steps to obtain from the other party full disclosure, in writing, of an interest or relationship, direct or indirect, that would make the other party a related party of Central 1.

Certain transactions between Central 1 and related parties of Central 1 must be approved by the Conduct Review and Corporate Governance Committee or FICOM. Any transaction or proposed transaction with a related party of Central 1 not relating to (a) the compensation of a director, (b) the provision of services or products, at not less than fair market value, which Central 1 provides to its members in the ordinary course or (c) the purchase or sale of property or services having a fair market value not exceeding \$2,000 must be disclosed to the Chief Transformation and Legal Officer, Corporate Secretary or the Conduct Review and Corporate Governance Committee prior to completion to ensure no further approvals are required.

Central 1 shall not enter into any transaction with a related party unless the transaction is permitted by the CUIA and FIA and has received any required approvals of such legislation, as applicable.

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SCHEDULE B

COMMITTEE OUTPUTS

OUTPUTS		Q1	Q2	Q3	Q4
1	Biennially review and approve written procedures designed to prevent conflicts of interests and related party transactions (Schedule A - Terms of Reference)	X			
2	Biennially review Code of Conduct and, as deemed necessary or advisable, recommend for Board approval		X		
3	Biennially review Director's Conflict of Interest Policy and, as deemed necessary or advisable, recommend for Board approval				X
4	Annually provide written report to Board on certain securities issued by Central 1 in accordance with Part 5 of FIA (Section 148)	X			
5	Annually review and recommend for Board approval the year-end report to FICOM of the Committee's activities (delivered to FICOM within 90 days of year-end).	X			
6	Lead biennial director and chair evaluation process and, as deemed necessary or advisable, recommend improvements to the Board.				X
7	Lead biennial Board and committee evaluation process and, as deemed necessary or advisable, recommend improvements to the Board.				X
8	Annually review the Director Compensation and Expense Policy (other than core remuneration items).		X		
9	Triennially lead a comprehensive review of directors' remuneration through the appointment of an ad hoc sub-committee in accordance with the Director Compensation and Expense Policy.				X
10	Annually review Director Orientation, Education and Development Policy.			X	
11	Annually, provide input, in conjunction with Chairperson, to Board for appointments at reorganization meeting.		X		
12	Annually, receive a report on conferences attended and continuing education completed by each director	X			
13	Annually, receive a report on each director's progress towards achieving CUDA or equivalent designation	X			
14	Identify general education sessions for Directors.	X			
15	Annually review Committee's Terms of Reference, Board Structure and Mandate, and Position Descriptions of Board Chair, Vice Chair, and Committee Chair and Director's Terms of Reference and recommend changes to the Board for approval as required.			X	
16	Annually review the adequacy of Directors' and Officers' Liability and Errors and Omissions Insurance and recommend changes for Board approval as required.		X		
17	Quarterly review Directors expenses.	X	X	X	X
18	Triennially, oversee Central 1's corporate governance review required pursuant to Central 1's Rules.			X	
19	Review and approve the corporate governance disclosure section of Central 1's annual report and annual MD&A.	X			
20	Annually receive a report from Corporate Secretary with respect to Policy & Procedures Regarding Assessment of the Suitability and Integrity of Central 1's Responsible Persons				X
21	Annually review Central 1's Appointments Policy recommending any revisions for approval to the Board.				X
22	Annually review the Board matrix and conduct a gap analysis and report the Committee's determination of gaps to the Nominations and Elections Committee.			X	
23	At least biennially, review the process for assessing the performance of the Board, committees and directors recommending any revisions for approval to the Board.		X		
24	In the fourth quarter of years prior to years in which Central 1's AGM is held in BC, review and approve the nomination of candidates for submission to the Credit Union Foundation of BC's Distinguished Service Award.				X