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Corporate Governance

Corporate Information

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 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, 2022, Central 1's membership consisted of 92 Class A members, 114 Class B members and 84 Class C members.

On February 27, 2014, the Financial Institutions Commission (now succeeded by the British Columbia Financial Services Authority (BCFSA)) 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.

Corporate Governance Disclosure

Board of Directors

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



Rob Paterson

Toronto, Ontario

Chair of the Board (since 2021); Director since 2014
Currently serving a third term (2020-2023)

Rob was first elected to Central 1's Board in 2014. He joined Alterna Savings as President & CEO in 2013; under his leadership, the credit union has grown its assets under management to almost \$11 billion and completed eight credit union acquisitions. Previously, Rob held executive roles at CIBC, JP Morgan Chase, McKinsey & Company and Aon plc. His experience includes all aspects of retail and commercial banking

as well as digital and payments. He is active in the fintech space.

Rob is a graduate of the University of Western Ontario. He gives back to the community as a Director and Vice Chairman of Enactus Canada, and sits on Advisory Boards of the University of Western Ontario Arts School, the Sprott School of Business at the University of Carlton and the Smith's New Master of Financial Innovation & Technology Program at Queens University.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Chair, Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – May 3	100%
Member, Human Resources Committee	4/4	Jan 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	5/5	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	2/2	Jan 1 – May 3	100%

Other Current Boards/Committee Memberships

Director: CS Alterna Bank; Enactus Canada; The Co-operators Group Ltd. & Payments Canada
Advisor SASAH, University of Western Ontario

Areas of Expertise

Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Technology Business Expertise, Governance Experience, Human Resources Experience, Community Engagement



Shelley McDade

Campbell River, British Columbia

Vice Chair (2021). Director since 2017
Currently serving a second term (2020-2023)

Shelley's financial services career spans over 35 years in the B.C. credit union system. She is currently Chief Executive Officer of Sunshine Coast Credit Union, a cooperative in operation for more than 80 years with close to \$1 Billion dollars in assets under administration.

Shelley is best known for her commitment and passion for leveraging collaboration to create value for members locally and across the system. 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 CUSO Wealth.

Shelley's board experience includes serving on the Capilano University Board of Governors and the Central 1 Solutions Center Board. Currently, she serves on the Wealth Management CUSO Strategies, Rhiza Capital Investments, Sunshine Coast Insurance Services, and The Co-operators Group boards.

An accredited director through ICSA Canada, Shelley obtained her Master of Business Administration from Aspen University and successfully completed her ICD-Rotman Directors Designation in 2021.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Vice Chair, Board of Directors	11/12	Jan 1 – Dec 31	91.6%
Chair, Human Resources Committee	4/4	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	5/6	Jan 1 – Dec 31	83.3%

Other Current Boards/Committee Memberships

Director, Wealth Management CUSO Strategies, Rhiza Capital Investments, Sunshine Coast Insurance Services and The Co-operators Group boards

Areas of Expertise

Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Community Engagement

Carolyn Burke*Oakville, Ontario*

Director since 2021

Currently serving a first term (2021–2023)



Carolyn retired in 2020 as the Executive Head, Enterprise Payments at RBC where she had worked since 1985. She was responsible for leading RBC's payments strategy and council including that organization's payment modernization program. An experienced board member in the Canadian financial services industry, Carolyn served on the Canadian Payments Association board, Payments Canada

Member Advisory Council (past chair), Payments Canada Board, Interac board, Acxsys board, and on CertaPay, Mondex and Visa Senior Advisory Councils. She also represented RBC at the Canadian Bankers' Association (CBA) Senior Payments Committee for a decade.

Carolyn holds a master's degree in Business Administration from McGill University and has obtained the Chartered Director (C.Dir.) designation from The Directors College. She previously served as a director of Rise, a national charity, supporting entrepreneurship for individuals with mental health or addiction challenges, and was recently appointed to the board of another financial institution in Canada.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – May 3	100%
Member, Human Resources Committee	2/3	May 3 – Dec 31	66.6%
Member and Chair (May onwards), Technology & Innovation Committee	6/6	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, Financial Institution			
Areas of Expertise			
Technology Business; Governance Experience; P&L Ownership; Regulatory Experience; Canadian Payments Expertise			

Paul Challinor*Delta, British Columbia*

Director since 2020

Currently serving a first term (2020–2023)



Paul was elected to Central 1's Board of Directors in 2020. He is a Chartered Professional Accountant (FCPA) with more than 35 years of public practice experience and has been a director of First West Credit Union since 2019.

Recently retired as a Partner at PricewaterhouseCoopers (PwC) Vancouver, Paul

was the leader of PwC's Financial Services practice in BC from 2000 to 2015. Throughout his PwC career he served many of BC's large public, private and member-owned financial services organizations – credit unions, trust companies, insurance companies and investment managers. His governance experience includes three years on the board of the Chartered Professional Accountants of British Columbia, two years on the Audit Advisory Committee of the Public Guardian and Trustee of British Columbia, six years on the board of Canuck Place Children's Hospice and two years on the board of the Delta Hospital and Community Health Foundation.

Paul's key board competencies are financial accounting and audit, and risk management. He holds a BA (Honours) in Industrial Economics from the University of Nottingham (UK), and completed his ICD - Rotman Directors Designation in 2019.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	10/12	Jan 1 – Dec 31	83%
Member and Chair (May 3 – Dec 31), Audit and Finance Committee	4/4	Jan 1 – Dec 31	100%
Member, Human Resources Committee	1/1	Jan 1 – May 3	100%
Member, Risk Review and Investment & Loan Committee	2/3	May 3 – Dec 31	67%
Other Current Boards/Committee Memberships			
Director, First West Credit Union – Risk Committee Chair, Audit Committee Member			
Director, Finance Committee Chair – Delta Hospital and Community Health Foundation			
Member, Investigation Committee, Chartered Professional Accountants of British Columbia			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Liquidity Management, Investment Management, Regulatory Expertise, Governance Experience, Human Resources, Community Engagement			



Richard Davies

Oakville, Ontario

Director since 2021

Currently serving a first term (2021–2024)

Richard is President and Chief Executive Officer of Tandia Financial Credit Union in Hamilton, Ontario a position he has held since 2014. Previous roles include CEO at Gulf & Fraser Fishermen's and United Savings Credit Unions (which merged with Gulf & Fraser), in BC. His 28 years in the BC and Ontario credit union systems have provided CEO experience executing mergers, developing engaged leadership

teams and attaining long-term growth.

Richard holds the Fellowship Designation from the Credit Union Institute of Canada, a diploma in administrative management from Capilano College and an MBA from Queens University.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	5/5	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	6/6	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
None at this time.			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Technology Business Expertise, Governance Experience, Human Resources Experience, Community Engagement			



Barry Delaney

Salmon Arm, British Columbia

Director since 2021

Currently serving a first term (2021–2024)

Barry is currently President and Chief Executive Officer of SASCU (Salmon Arm Savings and Credit Union), a position he has held since 2016. Prior to joining SASCU, he was interim CEO at Northern Savings Credit Union (six months) after 17 years in executive management roles at First West Credit Union.

Barry holds a Bachelor of Commerce from the University of Calgary and an MBA from Queens University. He has served on a number of boards in the not-for-profit (Co-operative Development Foundation) and post secondary education sectors, including Board Chair of the University of the Fraser Valley. Barry is a Lean Certified Executive.

His first job after graduating from University was a six-month work assignment at Lego, in their marketing department, in Denmark. This remains the only professional achievement of which his children are proud.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	10/12	Jan 1 – Dec 31	83%
Member, Audit and Finance Committee	3/3	May 3 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – May 3	100%
Member and Chair (May 3 onwards), Nominations & Elections Committee	4/4	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, Board of SASCU Insurance Services			
Delegate, BC Region, The Co-operators Group Ltd.			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement			

Connie Denesiuk

Summerland, British Columbia

Director since 2022

Currently serving a first term (2022–2025)



Connie was elected to the Board of Central 1 in 2022 and is in her eighth year as a director on the board of Summerland & District Credit Union. For almost 40 years, she was the administrative partner in the Summerland-based construction business owned by her and her husband.

Connie brings experience in leadership, governance and financial oversight to the Board table having served 19 years on the Okanagan Skaha School Board (including nine as chair). She also served on the boards of the BC School Trustees Association; the Canadian School Board Association; and Okanagan College Board of Governors and currently serves on the board of the Okanagan College Foundation.

Connie is active in her community, having volunteered on a number of committees and boards including the Chamber of Commerce and the Advisory Planning Commission. She is currently active in the local Rotary Club.

Connie holds a Master of Arts in Leadership degree from Royal Roads University and is in the process of completing the High-Performing Board digital series (2 year program) offered by CUES.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	8/8	May 3 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	3/3	May 3 – Dec 31	100%
Member, Nominations & Elections Committee	3/3	May 3 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, Summerland and District Credit Union			
Chair, Okanagan College Foundation			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Governance Experience, Human Resources Experience			

John Klassen

New Hamburg, Ontario

Director since 2021

Currently serving a first term (2021–2024)



John Klassen currently is the Chief Finance and Compliance/Chief Financial Officer for Kindred Credit Union in Kitchener, Ontario, since 2009. He worked in a number of member-facing capacities including MSR, Loans Officer and Certified Financial Planner before moving to Kindred's Head Office in 2000 as Chief Operating Officer.

John is a Chartered Professional Accountant, CPA, CMA as well as a Certified Financial Planner (CFP) and holds a Bachelor of Science Degree (Honours), Peace and Conflict Studies Minor from the University of Waterloo. He is active in his community including past service on the boards at Rockway Mennonite Collegiate, Tri-County Mennonite Homes, and Meritas Mutual Funds.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Audit and Finance Committee	4/4	Jan 1 – Dec 31	100%
Member, Nominations & Elections Committee	2/2	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	4/4	May 3 – Dec 31	100%
Other Current Boards/Committee Memberships			
None at this time			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Financial Acumen, Liquidity Management, Regulatory Expertise, Governance Experience, Community Engagement, Canadian Payments Expertise, Investment Management Expertise			



John Kortram

Nelson, British Columbia

Director since 2017

Currently serving a third term (2021-2024)

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 is 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 Nelson and District's board, John has also served as a member of

the Governance Committee, Audit Committee, Investment and Lending Committee, CEO Transition Committee and 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). John also holds the CUES CCD designation.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	5/5	Jan 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	5/5	Jan 1 – Dec 31	100%
Chair, Nominations and Elections Committee	2/2	Jan 1 – May 3	100%
Other Current Boards/Committee Memberships			
Director, Nelson & District Credit Union			
Director, Board of Kootenay Insurance Service			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Governance, Human Resources Experience			



Penny-Lynn McPherson

Shirley, British Columbia

Director since 2015

Currently serving a third term (2021-2024)

Penny-Lynn spent most of her career as Vice-President, General Counsel and Corporate Secretary for the Canadian Payments Association (now Payments Canada). She has over 30 years' experience in payments, clearing and settlement, e-commerce, legal, compliance, risk management and corporate governance. Penny-Lynn is also a Director of the Facility Association. She has served

on and co-chaired many payment system committees and served as a director and vice-chair of a hospital board.

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 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Audit and Finance Committee	4/4	Jan 1 – Dec 31	100%
Chair, Risk Review and Investment & Loan Committee	5/5	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	5/6	Jan 1 – Dec 31	83.3%
Other Current Boards/Committee Memberships			
Director, Facility Association Board			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Liquidity Management Expertise, Regulatory Expertise, Legal Expertise, Governance Experience, Human Resources Experience, Payments Expertise			



Sanjit (Sunny) Sodhi

Toronto, Ontario

Director since 2019
Currently serving a second term (2022-2025)

Sunny is Chief Strategy and Corporate Affairs Officer at Meridian Credit Union, Ontario’s largest credit union, and second largest in Canada, with \$28 billion in assets under management. As a member of the senior executive team at Meridian, Sunny is responsible for overseeing the following five corporate functions: legal and vendor management; social impact and community

partnerships; corporate governance and compliance; internal audit services; and government & stakeholder relations.

Prior to joining Meridian, Sunny practiced corporate law with a focus on advising domestic and international banks and insurance companies on a broad array of complex corporate and regulatory matters. He practiced in Toronto with Torsy LLP and then Fasken Martineau DuMoulin LLP as a partner, and he also practiced abroad with top international law firm Freshfields Bruckhaus Deringer LLP in its Singapore office. Sunny has been recognized repeatedly by top international legal rankings as a leading lawyer in Canada for corporate/M&A and banking.

Sunny graduated from the University of British Columbia with a Bachelor of Commerce (Hons), and from the University of Victoria with a Juris Doctor. He has been a member of the Bar in Ontario and New York since 2003.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	8/12	Jan 1 – Dec 31	66.6%
Member and Chair (since May 3), Conduct Review and Corporate Governance Committee	5/5	Jan 1 – Dec 31	100%
Member, Human Resources Committee	4/4	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director: Meridian OneCap Credit Corporation / Motus Bank / Centre for Addiction and Mental Health (CAMH) / Focal Healthcare Limited / Sikh Foundation of Canada			
Chair, Ontario Pension Sub-Committee			
Delegate, The Co-operators			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Legal, Corporate Governance, Human Resources Management, Government Relations, Corporate Communications, Enterprise Strategy			



Christie Stephenson

Vancouver, BC

Director since 2021
Currently serving a first term (2021-2023)

Christie is the Executive Director of the Peter P. Dhillon Centre for Business Ethics at the University of British Columbia’s Sauder School of Business, where she focuses on environmental, social and governance (ESG) investing and governance. Christie is a regular TV, print and radio media commentator on responsible business and investing, and a member of the Climate Governance Experts Network of the Canadian Climate

Law Initiative, the Metro Vancouver Zero Emissions Innovation Centre’s investment committee, and the British Columbia Securities Commission Corporate Finance Stakeholder Forum, and has served as a judge for both Governance Professionals of Canada’s Excellence in Governance Awards and the Chartered Professional Accountants of Canada’s Corporate Reporting Awards.

Prior to joining UBC Sauder, she spent 15 years working at ESG investing firms Jantzi Research Associates (Sustainalytics), NEI Investments (Ethical Funds), and Rally Assets (Purpose Capital). Christie also has more than two decades of diverse director experience, serving on the boards of organizations from start-ups to large mature entities, including private companies, cooperatives, non-profit organizations, university governance bodies, and a multi-employer pension plan.

Throughout her life, Christie has had deep roots in the credit union movement and co-operative sector, which has included serving on the boards and committees of credit unions in both BC and Ontario. Currently, she is a director of Vancouver City Savings Credit Union and has served on its governance, audit, equity and people, technology and nominations committees.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	5/5	Jan 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	5/5	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, Vancouver City Savings Credit Union			
Areas of Expertise			
Credit Union/Cooperative Sector, Governance Experience, Community Engagement			



Art Van Pelt

Maple Ridge, BC

Director since 2022
Currently serving a first term (2022-2025)

Art was elected to Central 1's Board in 2022 and is a director on Prospera Credit Union's board currently serving as board chair. He was first elected to the board of Westminster Savings in 2013 (Prospera and Westminster Savings Credit Unions merged January 1, 2020) and became chair of that board in 2018.

Art is a seasoned human resources professional with more than 35 years experience. As a former vice president for People at Overwaitea Food Group (Save-On-Foods), he has extensive experience managing compensation, payroll, health and safety, recognition, training, succession planning and labour relations. In the community, Art currently serves as a member on the board of the Ridge Meadows Hospital Foundation. He has served on various boards over the years, including the Canadian Grocery HR Council, Alouette Addictions Services Society and the Westminster Savings Foundation (now Prospera Foundation). Art is secretary and lead management trustee of the United Food and Commercial Workers Industry Pension Trust, a member of the Investment subcommittee and a member of the Fengate Infrastructure Yield Fund Advisory committee.

Art holds a BA with a major in business administration and economics from Simon Fraser University. He is a Chartered Professional in Human Resources and a member of the Institute of Corporate Directors and is a graduate of the ICD.D program.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	8/8	May 3 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/3	May 3 – Dec 31	66.6%
Member, Human Resources Committee	3/3	May 3 – Dec 31	100%
Member, Nominations and Elections Committee	n/a	Dec 9 – Dec 31	n/a
Other Current Boards/Committee Memberships			
Board Chair; Member, People Experience Committee - Prospera Credit Union			
Director, Ridge Meadows Hospital Foundation			
Trustee; Member, Investment Subcommittee - UFCW Pension Trust			
Member, Advisory Committee, Fengate Infrastructure Yield Fund			
Areas of Expertise			
Credit Union/Cooperative Sector, Risk Management, Governance Experience, Human Resources Experience			



Tom Vandeloo

Richmond Hill, Ontario

Director since 2021
Currently serving a first term (2021-2024)

Tom is a director on the Board of DUCA Financial Services Credit Union. He joined DUCA's board in 2015 and has served as its board chair since 2016.

Tom Vandeloo retired in 2020, culminating his career as a Partner at PwC. He has nearly thirty years of consulting experience in business integration & separation, cost optimization, business performance improvement, procurement & strategic sourcing, and supply chain services.

Tom holds a Bachelor of Math (Computer Science) from the University of Waterloo and is a Certified Director (ICD.D).

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	11/12	Jan 1 – Dec 31	91.6%
Member, Audit and Finance Committee	3/4	Jan 1 – Dec 31	75%
Member, Risk Review and Investment & Loan Committee	8/8	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Member, Ontario Pension Sub-Committee			
Board Chairperson, DUCA Financial Services Credit Union			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Technology Business Expertise, Governance Experience, Human Resources Experience			



Cheryl Wallace

Prince George, British Columbia

Director since 2019

Currently serving a second term (2022-2025)

Cheryl was elected to Central 1's Board in 2019. She is a director on the board of Integris Credit Union in Prince George, currently serving as its Vice Chair. She has lived in Prince George for 19 years originally moving from the Lower Mainland and has served on various not for profit boards and provides volunteer financial literacy sessions to the community.

Cheryl is the Chief Financial Officer at Carrier Sekani Family Service, a non-profit organization which delivers a wide selection of Health and Social programs to ten First Nations communities in Northern BC. Previously, she was Director of Finance and Administration with Junior Achievement BC. She is a Chartered Professional Accountant (CPA, CMA) holds a Master of Business Administration (MBA) from UNBC and completed the ICD.D designation through the Institute of Corporate Directors.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2022		
	Attendance	Term in 2022	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Audit and Finance Committee	1/1	Jan 1 – May 3	100%
Member, Human Resources Committee	4/4	Jan 1 – Dec 31	100%
Chair, Nominations & Elections Committee	3/3	May 3 – Dec 31	100%
Other Current Boards/Committee Memberships			
Vice Chair: Integris Credit Union			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Regulatory Expertise, Governance Experience, Human Resources, Experience, 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 meeting at short notice resulting in some directors not being able to attend the meeting. Directors are encouraged to attend meetings in person, but they may also participate by teleconference. Throughout the COVID-19 pandemic, directors have been attending meetings by videoconference. The following tables set out a summary of the Board and Committee meetings held during 2022.

Board/Committee	Total Number of Meetings
Board	12
Audit and Finance Committee	4
Conduct Review and Corporate Governance Committee	5
Human Resources Committee	4
Nominations and Elections Committee	4
Risk Review and Investment & Loan Committee	5
Technology & Innovation Committee	6

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
C. Burke	10/11	12/12	96%
P. Challinor	7/8	10/12	85%
R. Davies	11/11	12/12	100%
B. Delaney	9/9	10/12	90%
C. Denesiuk	6/6	8/8	100%
J. Klassen	10/10	12/12	100%
J. Kortram	12/12	12/12	100%
S. McDade	9/10	11/12	91%
P. McPherson	14/15	12/12	96%
R. Paterson	13/13	12/12	100%
S. Sodhi	9/9	8/12	81%
C. Stephenson	10/10	12/12	100%
A. Van Pelt	5/6	8/8	93%
T. Vandelloo	8/9	11/12	90%
C. Wallace	8/8	12/12	100%

Governance Framework

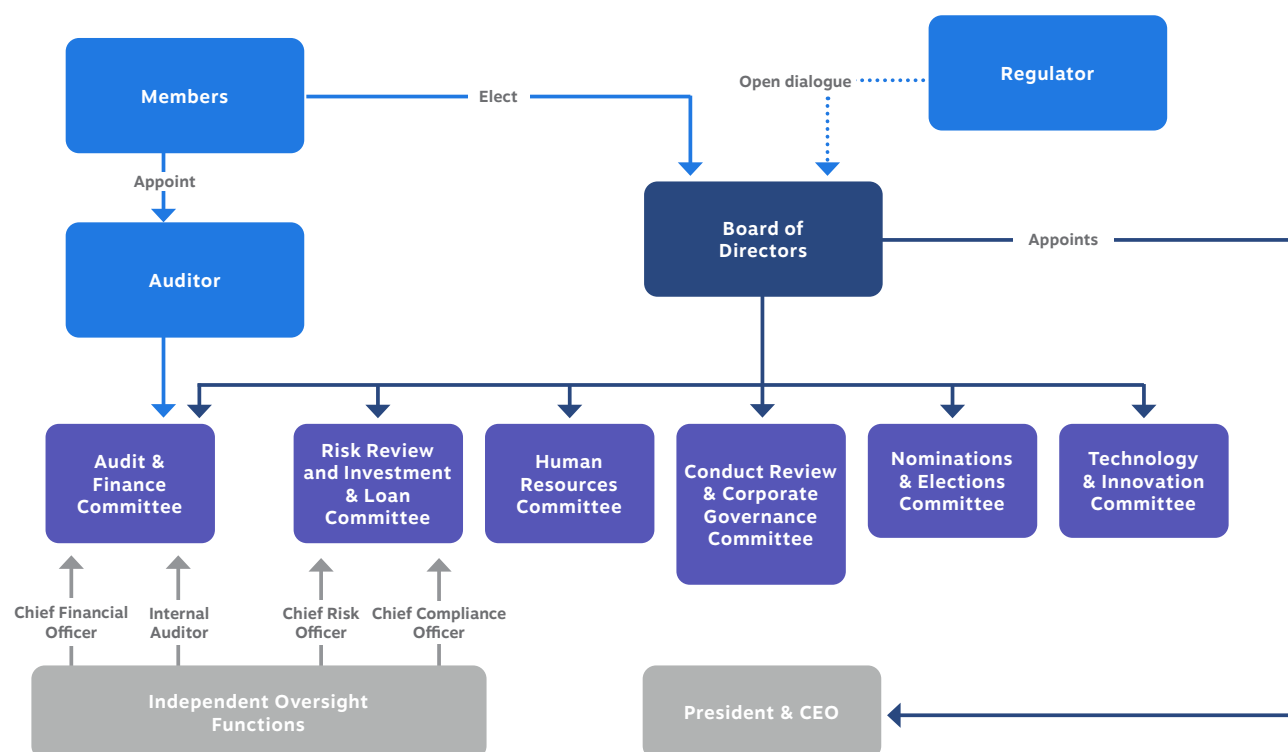
This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Central 1, which together enable Central 1 to meet or exceed governance expectations of the British Columbia Financial Services Authority (BSFSA), the Canadian Securities Administrators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

Our 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 our Board and management with those of our 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

Our 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. Our 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 hereof, there are six standing committees of the Board:

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

Terms of Reference for the Committees of the Board listed above can be found on Central 1's website (www.central1.com). The Board may also create special ad hoc committees from time-to-time to perform specific tasks on behalf of the Board.

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 its effectiveness to ensure that it has successfully fulfilled its responsibilities as set out in its terms of reference through a biennial process overseen by the Conduct Review and Corporate Governance Committee.

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

Our 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 Canadian Securities Administrators 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 2022 requirements for CPD*	Relevant Experience
Paul Challinor	BA (Honours) Industrial Economics, CPA	Completed	Board Member, First West Credit Union, chair of its Risk, Investment and Loan and member of Audit and Conduct Review committees. Previous senior level experience in financial accounting and audit, business growth and transformation and risk management.
Barry Delaney	BComm, MBA	Completed	CEO SASCU (Salmon Arm Savings Credit Union). Previous experience as SVP Risk at First West Credit Union
John Klassen	BSc (Honours) with Peace and Conflict Studies Minor, CFP, CPA	Completed	Chief Finance and Compliance/ Chief Financial Officer, Kindred Credit Union Limited. Previous senior level experience as Chief Operating Officer.
Penny-Lynn McPherson	LLB	Completed	Chair, Central 1's Risk Review and Investment & Loan Committee and member of its Technology & Innovation Committee. Previously VP General Counsel and Corporate Secretary, Payments Canada.
Tom Vandelloo	BMath (Computer Science), ICD.D	Completed	Board Chair, DUCA Financial Services Credit Union - member (ex-officio) Audit, Credit, Governance, HR & Compensation, and Risk Committees

*Continuing Professional Development for relevant professional designations.

External Auditor Service Fees

The table below shows the fees billed to Central 1 for professional services rendered by Central 1's external auditor KPMG LLP during the last two fiscal years:

	2022	2021
Audit Fees ⁽¹⁾	\$ 1,152,642	\$ 1,255,650
Audit-related Fees ⁽²⁾	90,400	95,946
Tax Fees ⁽³⁾	182,300	145,441
All Other Fees		
MLP Segregation Fees ⁽⁴⁾	\$ -	\$ 59,332
Other Fees ⁽⁵⁾	109,338	25,207
Total ⁽⁶⁾	\$ 1,534,679	\$ 1,581,576

⁽¹⁾ Audit fees in both years included audits of Central 1 and subsidiaries and quarterly reviews of Central 1.

⁽²⁾ Audit-related fees in both years included audits of Central 1's Ontario Registered Retirement Plan and specified procedures over mortgage-backed securities.

⁽³⁾ Tax fees in both years included tax advisory and compliance fees for Central 1 and subsidiaries.

⁽⁴⁾ MLP Segregation in both years included tax and advisory services related to the planned legal segregation of Central 1's Mandatory Liquidity Portfolio operating segment.

⁽⁵⁾ Other fees include consulting fees related to Central 1's ERP system or other projects.

⁽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 of President and Chief Executive Officer (CEO), compensation and human resources principles and on related policies and practices. This committee provides its recommendation to the Board for compensation of the CEO in light of their performance and Central 1's performance, as well as the succession planning of CEO. In addition, the Committee approves the compensation of other senior management and oversees matters concerning Central 1's pension plans.

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. 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 system it serves. This committee is comprised of five members who are not standing for election, two of whom are not directors on Central 1's Board.

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 & Innovation Committee

The Technology & Innovation Committee is responsible for providing strategic and risk oversight of matters relating to innovation and technology. The duties and responsibilities of the committee include matters relating to digital and payments projects and programs, enterprise technology (including treasury) projects and programs and operations.

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 may be composed of up to 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 Board-appointed directors to fill skills and experience gaps on the Board, for a total of up to 15 directors.



Of the 13 directors who may be elected or appointed by Class A members, eight may be elected or appointed, as the case may be, by Class A members having their head office in B.C. The other five directors may be 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. Central 1's Board is currently composed of 15 directors of which 13 were elected or appointed by Class A members and two were appointed by the Board.

Central 1 completes a governance review every three years. The most recent review completed in 2022 with Class "A" Members passing two of three special resolutions approving amendments to Central 1's Constitution and Rules ("Rules") at the 2022 Annual General and Special Meeting. The next regularly scheduled governance review will be undertaken in 2025.

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. Central 1 has no director retirement age policy.

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 a questionnaire about their business and any other relationships they have with Central 1 (and its affiliates) and senior management.

Central 1's Board considers its directors to be independent on the basis that its directors are not considered to have a "material relationship" with Central 1 as defined in National Instrument 52-110-Audit Committees.

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 ("Skills 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 system.

Each year, the directors complete the Annual Director Self-Assessment of his/her perceived level of skills against the various elements in the Skills Matrix. CRCGC reviews the results and determines whether Central 1 has ideal Board composition; identifies any gaps that need to be filled; and reports any skill gap(s) to the Nominations and Elections Committee for recruiting the candidates in the upcoming year.

An external consultant may be engaged to participate in the candidate interviews to provide additional third party, external perspective and feedback to the NEC.

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 a director or an officer of a Class A member credit union of Central 1 and 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 CRCGC 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 CRCGC is required to review Central 1's conflict of interest procedures biennially. The CRCGC undertook such a review in 2022.

Diversity

We are committed to building and sustaining a diverse and inclusive Board that both supports Central 1's strategy and reflects the credit union system. 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 our Board-approved skills matrix;
- take into account that an inclusive board of directors should reflect the diversity of the communities that Central 1 serves; and
- conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

In promoting diversity, the Nominations and Elections Committee recognizes that diversity encourages the inclusion of different perspectives and ideas, mitigates against groupthink and ensures opportunities to benefit from all available talent.

Central 1 also recognizes the increased diversity disclosure provisions set out in the *Canada Business Corporations Act* effective January 2020 with regards to diversity in nominating directors from designated groups as defined by the *Employment Equity Act*. To that effect, the Skills Matrix has been updated to broaden the diversity disclosure provisions. Section 5, Diversity, of the Skills Matrix lists age, gender, region, ethnicity/culture, board service, interlocking public directorships and expression of interest for any board/committee chairperson positions for Board succession planning.

It is noted that Central 1's Board does have term limits set out in its *Board Structure* document and summarized earlier in this document under the heading "Director Tenure".

The Board aspires towards a composition that reflects the broader population of Central 1 and the credit union system it serves. Currently the Board is comprised of forty-three per cent women and fifty-seven per cent men.

Board Operations

Chair of the Board

Each year, the directors elect a Chairperson. Mr. Robert Paterson 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 in 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 March 2022, 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.
- **Diversity and Inclusion Policy:** In 2020, the Board approved a Diversity and Inclusion Policy. This Policy sets out the Board's philosophy and commitment in considering diversity when determining the optimum composition of the Board and its committees, recognizing that a diverse composition can result in a more effective board.
- **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 material information relating to Central 1 to keep members and the public informed about its affairs in accordance with applicable laws. 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.

Stewardship of Environmental Social Governance (ESG) at Central 1

Central 1 is committed to building environmental sustainability, social responsibility, and effective corporate governance into all aspects of our business. Our approach to ESG is to target where Central 1's core business functions and in-house expertise overlap with critical ESG issues to embed ESG as a way we all do business.

There are three ESG issues selected as our focus, based on their materiality to our business and their prevalence in Central 1's sustainability commitments (listed below under the "Governance" heading).

1. **Diversity, Equity, and Inclusion**
Finding where we can build a diverse, equitable, and inclusive culture in our workplace, and where our business (products, services, investments, procurement, etc.) can reduce societal barriers for a fuller potential for all.
2. **Climate**
Finding where our core business functions can minimize environmental damage and contribute to the transition towards a low carbon economy.
3. **Indigenous Reconciliation**
Finding where our core business functions can enact the Truth and Reconciliation Commission's call to action #92 for the Canadian corporate sector- both as a responsibility and an opportunity.

For the purpose of highlighting the importance of ESG factors and these three particular themes, we have gathered a summary of some ESG activities at Central 1. You may recognize some activities below as integrated parts of our business previously mentioned in this report.

Environmental: Climate

- **Environmental impact as a decision-making lens in our investing**
Central 1's Treasury and Portfolio Management team is committed to addressing climate-related challenges. As a proud signatory of the UN-PRI, we are striving to progress and improve our climate disclosure and provide more insight into our investment portfolio. At year-end 2022, Central 1 held approximately 14% of its Treasury Securities Portfolio in issuers labelled green, social, sustainably or sustainability linked bonds. We continue to support further expansion of responsible investing through our continued membership in the Responsible Investing Association (RIA) and the Canadian Bond Investors Association (CBIA) ESG subcommittee. Assessing issuer and issuance against ESG criteria has become a standard part of all our credit reviews of potential investments. A cross department

Responsible Impacting Investing Committee (RIIC) has been established to quarterly review Central 1's investing activities to ensure they meet with the Board approved ESG Policy as well as broader industry best practices.

- **Environmental impact as a decision-making lens in our supply chain**

Central 1's procurement team integrates questions on vendors' responsible and sustainable business practices in our RFx (Request for something) process. In this way, we filter where our money is spent to support more vendors that have developed an approach to business that propels social/environmental impact. Our RFx process is designed to bring some clarity to choices we can make that do not indirectly exacerbate the climate crisis.

- **Cloud for the climate**

Our information technology team continues the a multi-year process to transition our technology to the cloud. One benefit of this move in other organizations has been a significant reduction in the environmental footprint of technology.

- **Assisted in rallying support for communities in Atlantic Canada impacted by Hurricane Fiona**

With impacts of climate change being felt across Canada, Central 1 worked with CCUA and Atlantic Canada credit unions in raising funds in addition to its donation of \$20,000.

Social Factors: Diversity, Equity, and Inclusion; Indigenous Reconciliation

- **Central 1 invests in Ukraine Sovereignty Bond**

In December 2022, Central 1 announced its \$5 million investment in the Government of Canada's Ukraine Sovereignty Bond. An amount equal to the proceeds from the bond will directly support the Government of Ukraine to provide essential services to Ukrainians, such as pensions, purchasing of fuel before winter and restoring energy infrastructure.

- **Grassroots employee-led inclusion initiatives receive excellent engagement**

Central 1 maintains an executive-sponsored, Employee Resource Group (ERG). Events organized in 2022 included:

- celebrating Black History Month through education, entertainment and sharing recipes
- recognizing International Women's Day sharing personal stories and quotes on individuals' commitments to call out bias, stereotypes and inequality
- Asian Heritage Month offering cooking classes featuring a variety of Asian cuisines and culture
- Pride month flying the rainbow flags and providing opportunities to attend webinars addressing race, ethnicity, sexuality, and gender matters

- **Employee development on DEI topics**

Central 1's Central 1 offers employee development and learning on a wide library of DEI topics through our employer partnership with the Canadian Centre for Diversity and Inclusion.

- **DEI as a decision-making lens in our supply chain**

Central 1's procurement team integrates questions on vendors' responsible and sustainable business practices in our RFx process. In this way, we filter where our money is spent to support more vendors that have developed an approach to business that propels social/environmental impact. Our RFx process is designed to bring some clarity to choices we can make that do not indirectly exacerbate social inequities.

- **DEI as a decision-making lens in our investing**

As part of our responsible investment framework, our investing team integrates social aspects like diversity, equity, and inclusion into our investing practices.

- **Closed in recognition, respect, and learning for the National Day of Recognition for Truth and Reconciliation**

As part of the ongoing conversation at Central 1 and a commitment to longer term learning, acknowledgement of the truth to move forward towards reconciliation, and openness to improving how our everyday business can support Indigenous communities, a video of the history of the Senakw development, underway adjacent to Central 1's Vancouver office, was shared at the employees' September townhall.

- **Employee-directed donations to diverse community needs**

In 2022, Central 1 employees maximized a corporate match donation program, raising \$15,481 to unlock a match of \$10,000 to a total of \$25,481 to the United Way. In similar spirit, the Volunteer Impact Fund was leveraged by employees to support a number of community organizations with \$1,000 grants.

- **Annual Gary Gillam Award honours two careers dedicated to significant impact**

The Gary Gillam Award was established to honour the memory and work of Gary H. Gillam in advancing social responsibility in the credit union system. The award is co-sponsored by Alterna Savings and Central 1 to recognize exemplary leadership in environmental and/or social responsibility through the promotion of credit unions as socially responsible alternatives to banks and other financial institutions. In 2022 Frank Chisholm at Kindred Credit Union and Earl Campbell at Alterna Savings were recognized for their work at their credit unions and in their communities. Read further [here](#).

Governance:

- **ESG Policy to govern and guide decision making**

Central 1's leadership and Board are guided by its an Environmental Social Governance Policy approved in May 2021. The eight guiding statements of the policy thread three prevalent ESG themes (climate; diversity, equity, and inclusion; and Indigenous reconciliation) throughout each of our business lines- connecting our everyday activities with generating positive impact. As such, the result we strive for is having ESG factors integrated in to how we do business.

- **As a co-operative, we have a stakeholder-driven governance model**

Our Board is democratically elected from our membership. This ensures the direction of our organization is aligned to the needs of the credit union system that we serve. We also benefit in learning from the ESG expertise our Board members bring to Central 1 leadership with representation from community-rooted financial institutions, Living Wage employers, a B Corp, and members of the Global Alliance for Banking on Values.

- **We are founded on co-operative principles that embed ESG in our business model**

In particular, co-operative principle 7, care for community, binds Central 1 to strive to do business in a way that serves our present needs without compromising the ability of future generations to meet their own needs. In 2022, we continued to be faced with visible strains to the systems we operate in with converging crisis of climate, pandemic, and inequality. We collectively are reaching limits that conflict with principle 7 demonstrating why our co-operative foundations are more relevant today than ever.

Central 1 governance and management leaders demonstrate the importance of ESG through signing the following commitments and aligning to the following networks where we can continually improve our approach:

- Signatories to the UN-supported Principles for Responsible Investment
- Signatories to the Canadian Investor Statement on Diversity and Inclusion
- Employer Partner of the Canadian Centre for Diversity and Inclusion
- Member of the Responsible Investment Association
- Signatories to Minerva BC's Face of Leadership Diversity Pledge
- Signatories of the Different Together pledge led by the Honourable Janet Austin, Lieutenant Governor of British Columbia
- Signatories of the BC Business Council's Stand Against Racism statement

Collaborative ESG system partnerships:

- Founded and chair of the credit union Diversity, Equity and Inclusion Working Group
- Member of the Community Impact Committee run by the Canadian Credit Union Association
- Member of the Canadian Bond Association's Environmental Social Governance Committee
- Member of the Climate Action Working Group run by the Canadian Credit Union Association

Member Communication and Engagement

Central 1's Board of Directors and management provide regular communication to our 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 and quarterly financial disclosure;
- Information posted on our website or secure website, providing regular updates on services, issues and initiatives;
- Informational webinars and events on relevant topics impacting members and/or their business

In addition to communication, we also engage members through regular or special events to further strategic decisions for both Central 1 and our members, including:

- Twice annual regional meetings, attended by directors and management of member credit unions and Central 1, held in various locations throughout B.C. and Ontario where we communicate and engage our members on strategic issues impacting the system;
- Engagement events and webinars to facilitate discussion and feedback on governance or strategic issues;
- One-on-one member support to address each member's unique needs and strategy, identifying opportunities to connect members for collaborative projects or develop new ways Central 1 can support our members; and
- The Member Forum held each spring in conference style to facilitate education on industry trends, discussion and engagement on key topics, networking, and the formal business of governance at the Annual General Meeting scheduled in connection with the event.

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.

Our 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.

This is supported by a quarterly email to the Board from Corporate Secretary Office encouraging them to sign up for the conferences, courses and seminars. Additionally, the list of educational opportunities is organized and refreshed regularly to ensure alignment with the Skills Matrix.

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. Our 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 or a training program offered by CUES.

Ongoing Director Education

During 2022, directors attended a number of in-house education sessions.

Following is a list of those education sessions held in 2022:

Attendees	Session
Board Members	Enterprise Risk Assessment
Board Members	Open Banking and more
Board Members	AML and Compliance
Risk Review and Investment & Loan Committee Members	Treasury - Credit Spreads

In addition to in-house training sessions, the following table shows the continuing professional development reported to be completed by Central 1's directors in 2022.

Director	Continuing Formal and Informal Education Sessions in 2022	Director	Continuing Formal and Informal Education Sessions in 2022
Carolyn Burke	CCUA Governing Credit Risk eclass June 2022 CCUA Governing a Credit Union EClass CUDA Credit Union Director Achievement Graduate 2022	Rob Paterson	CUMIS Executive Round Table Feb, 2022 Central 1 Member Forum, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, October 2022 Money 20/20, October 2022 McKinsey & Co monthly Knowledge Centre events throughout 2022 Payments Canada Summit 2022 Canada Fintech Forum, Nov 2022
Paul Challinor	Central 1 Member Forum, May 2022 Momentum 2022, October 2022 Completed CPD requirements	Sunny Sodhi	Portage Strategy Summit – 2022 Fintech Trends & Venture Outlook (Mar 2) GPC Becoming Fluent in ESG (March 8) Webinar with Roger L. Martin, former Dean at the Rotman School, on <i>A New Way to Think: Your Guide to Superior Management Effectiveness</i> (April 26) Northwind Financial Forum – “Volatility & Uncertainty Navigating a Globalized & Challenging Environment” (April 27-29) Central 1 Member Forum and AGM (May 1-3) CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, Vancouver, October 2022 Competent Board Program, “ <i>ESG Designation Program for Board Members</i> ”, September 14, 2022 – March 15, 2023
Richard Davies	Central 1 Member Forum, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, October 2022 CCUA Campus – Governing IT – The Directors Role CCUA Campus – AML – Flag the Money for Directors & Senior Officers	Christie Stephenson	Central 1 Member Forum, May 2022 Institute of Corporate Directors, ICD.D, September 2022 Momentum 2022, October 2022
Barry Delaney	Central 1 Member Forum, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, October 2022 The Directors College, Module 4 Effective Governance under Complex Circumstances, November 17, 18 and 19, 2022	Art Van Pelt	CPHRBC Annual Conference, Vancouver, April 2022 Central 1 Member Forum, Virtual, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 IFEBP Canadian Investment Institute, Quebec City, September 2022 Momentum 2022, Vancouver, October 2022
Connie Denesiuk	Central 1 Member Forum, Virtual, May 2022 Momentum 2022, Vancouver, October 2022	Tom Vandeloo	Mandatory Ontario regulatory training, 2022 Annual securitization training, January 2022 CCUA Shared Vision Forum, March 2022 FSRA Discussion: Sound Business and Financial Practices Rule April 2022 Diversity, Equity, and Inclusion for Boards, May 2022 Central 1 Member Forum, Virtual, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 2022 Strategic Insights present ESG Risk: Calls to Action for Canadian CUs, June 2022 Board Seminar: Ontario Credit Union / Caisse Populaire Act, July 2022 Momentum 2022, Vancouver, October 2022 Board360 Annual Training, December 2022
John Klassen	Central 1 Member Forum, Virtual, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 CCUA National Treasury and Finance Forum, Toronto, June 2022 Momentum 2022, Vancouver, October 2022 CCUA National Lending Conference, Quebec City, October 2022 Completed all 2022 Continuing Education requirements for Certified Financial Planner (CFP) and Chartered Professional Accountant (CPA) designations.	Cheryl Wallace	Central 1 Member Forum, May 2022 Institute of Corporate Directors, ICD.D September 2022 Momentum 2022, October 2022 Northline Peer Group meeting October 2022
John Kortram	Central 1 Member Forum, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, October 2022 CUDA Reconciliation Awareness and its importance for Credit Unions CUDA ESG Oversight and Climate competency for Boards CUDA Flag the money for Board Directors and Sr. Executives Youth member engagement (Hawkeye Inc.)		
Shelley McDade	Central 1 Member Forum, Virtual, May 2022 CCUA 2022 National Conference and AGM, Niagara Falls, May 2022 Momentum 2022, Vancouver, October 2022		
Penny-Lynn McPherson	ICD (& PWC) Board Cybersecurity Governance during Geopolitical Conflict - March 9, 2022 CCUA Shared Vision 2.0 Forum, March 29-30, 2022 2022 Payments Canada Summit - Payments Canada (April 26-28) Central 1 Member Forum, May 2022 Momentum 2022, October 2022		

Director 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 Central 1.

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 2022. Hugessen's was engaged to assist in the director compensation review and will be providing its recommendations to the Conduct Review and Corporate Governance Committee in early 2023.

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.

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

Type of Compensation	
Annual Director Retainer (except Chairperson)	\$18,000
Annual Chairperson Retainer	\$45,000
Annual Vice Chairperson Retainer	\$24,000
Committee Chairperson (other than the Chairperson of the Audit and Finance Committee or the Risk Review & Investment and Loan Committee)	\$6,000
Chairperson of the Audit and Finance Committee and Risk Review & Investment and Loan Committee	\$12,000
AGM/Special Meeting Fee	\$0
Board and Committee Meeting Fee	meetings less than 30 minutes: \$0 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
Per Diem Fees for Travel Time	For travel less than 4 hours: \$0 For travel 4 hours or more: \$500
Reasonable Expenses for Meetings and Business Events	Actual
Expenses for Spousal/Companion Event	\$0
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
For basic voice/data plan For costs incurred in relation to internet connection and email address	Up to \$75/month

2022 Director Compensation

The following table sets out the value of fees and other compensation paid to directors of Central 1 during 2022.

Director	Annual Cash Retainer	Meeting Fees	Total Remuneration (Annual Cash Retainer and Meeting Fees) ¹
Carolyn Burke	\$21,995	\$18,700	\$40,695
Paul Challinor	\$25,990	\$12,600	\$38,590
Richard Davies	\$18,001	\$20,000	\$38,001
Barry Delaney	\$21,995	\$20,400	\$42,395
Connie Denesiuk (from May 3, 2022)	\$11,984	\$11,400	\$23,384
Mary Falconer (Jan 1 - May 3, 2022)	\$10,027	\$4,600	\$14,627
Bill Kiss (Jan 1 - May 3, 2022)	\$10,027	\$9,200	\$19,227
John Klassen	\$18,002	\$21,400	\$39,402
John Kortram	\$20,005	\$27,700	\$47,705
Shelley McDade	\$30,000	\$16,200	\$46,200
Penny-Lynn McPherson	\$30,509	\$22,100	\$52,609
Rob Paterson	\$45,000	\$28,200	\$73,200
Sanjit (Sunny) Sodhi	\$21,995	\$19,900	\$41,895
Christie Stephenson	\$18,001	\$20,600	\$38,601
Art Van Pelt (from May 3, 2022)	\$11,984	\$11,700	\$23,684
Tom Vandeloo	\$18,001	\$20,200	\$38,201
Cheryl Wallace	\$18,001	\$14,400	\$32,401
Total	\$351,517	\$299,300	\$650,817

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 and committee assessments are conducted on a biennial basis. In intervening years, director and chair peer reviews are carried out. The Committee retains an external consultant to design and analyze the results of the evaluation of Board and committee effectiveness and the director peer review process.

In 2021, a whole Board and Committees evaluation was conducted by an external consultant. Upon receipt of the results, the consultant facilitated a session with the directors at the February Board meeting addressing concerns raised during the evaluation. The consultant also provided a summary of the evaluation to the Conduct Review and Corporate Governance Committee.

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 BCFSa 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 our products and services to our member credit unions and to their members. We believe 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 Central 1's goals and objectives.
- Be competitive within the credit union community and broader private sector market.
- Be affordable in line with the realities of the market.

An equitable balance is sought 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 designated market. Overall the program is primarily cash-based. Central 1 does not grant options, stock appreciation rights, shares, units or other compensation

securities as part of its compensation framework and has no outstanding equity compensation plans. Executive compensation is also subject to Central 1's Clawback Policy approved February 2021.

CEO Cash Compensation

Base Salary

Base salary for our CEO is determined by the Board in February, in line with individual performance and the median level of the designated market.

The designated market for Central 1 is a blend of two peer groups: 1) Credit Union System & Crown corporations; and 2) Broader Private Sector Market organizations.

Every three years, an outside consultant conducts a market review of the salary of our 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 designated market.

Short Term Incentive Program

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

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

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

Our 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.

Short-term Incentive Compensation Targets for 2022

	Target Incentive Payment	Maximum Incentive Payment (150 per cent of target)
President & CEO	70 per cent of base salary	105 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

The program is designed to ensure that unnecessary risks are not encouraged through taking a balanced approach including member satisfaction and limits paid out for each measure.

Long Term Incentive Program

The long-term incentive program (LTIP) is designed to direct and reward the executive to long term strategic success. This is complemented with the short-term incentive program which is designed to direct and reward the in-year operationalization of the strategy.

The design of the program is based on a rolling cycle method, whereby performance/deferral periods for most cash LTIP are three years, in light of the Salary Deferral Arrangement (SDA) rule under the *Canadian Income Tax Act*.

Central 1's Board establishes the measures and targets at the start of each cycle and measures performance at the end of such cycle. Each LTIP cycle, the Board can elect different metrics and weighting depending on the strategic direction of the company.

Long-term Incentive Compensation Targets for 2022

	Target Incentive Payment	Maximum Incentive Payment (150 per cent of target)
President & CEO	85 per cent of base salary	127.5 per cent of base salary

Our Board reviews the performance of the CEO based on 4 Driver key metrics: Internal Management Practices, Client Centricity, System Leadership and Key Strategic Initiatives. A balanced scorecard approach (based on key performance indicator (KPI) categories) was created to structure the LTIP to recognize external, internal, system and strategic initiatives. Financial metrics are used as a gateway metric.

The Board retains a 10% discretionary adjustment to recognize extenuating circumstances.

Other Cash-Based Compensation

Central 1 offers a market-competitive perquisite program to the CEO, including an automobile allowance.

Non-Cash Benefits

The CEO receives 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.

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 our 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%.

Appendix A

Audit and Finance Committee Terms of Reference

Approved: September 10, 2021 Reviewed: November 22, 2022

1.1 PURPOSE

The Audit and 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 and audit (external and internal).

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) budgets, forecasts and financial performance indicators
- c) external auditors’ qualifications and independence
- d) performance of Central 1’s internal audit function and external auditors
- e) adequacy and effectiveness of internal controls
- f) 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.

The Committee derives its authority from the Board and Article 14A, Rule 6 of Central 1’s Constitution and Rules. For the purposes of performing its duties, the Committee shall have the right at all reasonable times to inspect the books and records of Central 1, and its subsidiaries, and to discuss with management, the officers, and external and internal auditors such information and matters pertaining to the financial reporting of Central 1, as it deems necessary.

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 or appointed 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 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 approval. 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 responsibility for recommending the remuneration of the external auditors to the Board. 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 shall annually approve the audit plan. 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 AVP, Internal Audit shall report directly to the Committee, and the Committee shall have responsibility for reviewing and approving the Internal Audit Policy; overseeing the activities of the internal audit function, including reviewing and approving the annual internal audit plan and identifying special areas of concern for internal audit review.

The Committee will monitor internal audit activities 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 AVP, Internal Audit. On behalf of the Committee, the Chairperson shall provide input concerning the performance review and compensation of the AVP, 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 Internal Audit and, in particular, recommendations for changes in internal control procedures or processes. The AVP, Internal Audit 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 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 as well as non-consolidated financial statements and summarized financial statements. In addition, the Committee shall review the financial statements of Central 1's subsidiaries.

In reviewing the financial statements, the Committee shall, as applicable:

- a) Ensure that they are complete and consistent with the information known to the Committee;
- b) Review the contents of management's representation letters to the external auditors;
- c) Discuss with management and the external auditors whether they reflect appropriate accounting policies;
- 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; and
- 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, provisions and reserves.

The Committee will recommend to the Board the approval of Central 1's consolidated financial statements, non-consolidated financial statements and summarized financial statements.

1.3.7 Review of Financial Disclosures

The Committee shall review the contents of all periodic public disclosure documents (other than the annual corporate governance disclosure approved by the Conduct Review and Corporate Governance Committee and statement of executive compensation approved by the Human Resources Committee) and 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 and make recommendations to the Board as it deems advisable.

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 assess the adequacy of the disclosures made by management through 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.

The Committee shall review the return of Central 1 that is to be filed with the Superintendent under Section 127(1) of the FIA and any other reports, transactions or matters required to be reviewed by the Committee under the Financial Institutions Act or Credit Union Incorporation Act, and to the extent any returns are required to be approved by the Board, make recommendations to the Board regarding such returns.

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.

1.4 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 AVP, Internal Audit, 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 consented to 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 Internal Audit at every meeting at which 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, Internal Audit, 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. 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. The Committee shall assess its effectiveness in fulfilling its mandate through its inclusion in reviews of Central 1 Committees led by 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.

Routine Outputs – Audit and Finance Committee

Routine Outputs	Q1	Q2	Q3	Q4	Comments
Audited Financial Statements – year end	•				
Interim Consolidated Financial Report		•	•	•	
Management Discussion & Analysis (MD&A)	•	•	•	•	
Financial Report	•	•	•	•	
External Audit Report	•				
Interim Review Findings Report		•	•	•	
Internal Audit Report	•	•	•	•	
Review the Procedures for Ethical Reporting	•	•	•	•	
Annual Report to Board on performance and independence of external auditor	•				
Election of Chairperson		•			
Provincial Examination (if applicable)		•			
Subsidiary Financial Statements	•				
Set Meeting Dates for Following Year	•				
Audit Plan and engagement letter			•		
Auditor remuneration			•		
Review Committee's Terms of Reference, including all policies under Committee oversight			•		
Review Finance Policies (when applicable) <ul style="list-style-type: none"> Budget Disclosure Ethical Reporting Internal Audit Procurement 					
Assess the adequacy of the processes and procedures followed by the Disclosure Committee and the adequacy of management representation on that Committee, if and as needed.	•	•	•	•	
Central 1's Operating, Dues and Capital Asset Budgets				•	
Internal Audit Plan				•	
Incentive Plan <ul style="list-style-type: none"> Approve Year End Results Approve Targets for Next Year 	•				

Appendix 1

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

Approved: November 22, 2022

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 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 1's External Auditor

Approved: November 22, 2022

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.