

## AUDIT AND CONDUCT REVIEW COMMITTEE CHARTER

### Committee purpose

The Board of Directors (the “Board”) of First West Credit Union (“First West” or the “Credit Union”) has delegated to the Audit and Conduct Review Committee (the “Committee”) the duties and authority outlined in this Charter. The Committee exists to:

- fulfill the Credit Union’s duty to maintain an Audit Committee as detailed in the *Credit Union Incorporation Act* and as required by applicable legislation and regulation.
- assist the Board in fulfilling its obligations and oversight responsibilities related to the audit process, financial reporting, the system of internal control and the Credit Union’s process for monitoring compliance with applicable laws, regulations and the code of conduct.
- fulfill the Credit Union’s legislated duty to maintain a Conduct Review Committee as detailed in the *Financial Institutions Act*
- ensure the requirements for dealing with related-party transactions set out in the *Financial Institutions Act* are met and appropriate procedures and reporting are in place
- oversee the process for reviewing Directors’ conduct
- oversee procedures for resolving conflicts of interest, restricting the use of confidential information and handling member complaints

### Appointment and composition

As specified in legislation:

- the Committee consists of a minimum of three members elected by the Board on the recommendation of the Board Chair
- the majority of Committee members must not be officers or employees of the Credit Union
- Committee members elect a Committee Chair from amongst themselves

Committee members must have a working familiarity with finance and accounting practices, and at least one should have a professional accounting designation or related financial management expertise to be considered a financial expert.

Committee members serve one-year terms.

The Board Chair, if not a member, is an ex-officio member of the Committee and in that instance is not counted in establishing quorum and does not vote.

<b>Meetings</b>	<p>The Committee will meet at least four times a year to permit timely review of interim and annual financial statements.</p> <p>Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any Committee member or the external or internal auditor.</p> <p>Only members of the Committee have the right to attend and vote at committee meetings.</p> <p>The Committee may hold <i>in camera</i> sessions following each regular meeting both with and without management present and may meet <i>in camera</i> with the Chief Financial Officer alone at the request of the Committee or of the Chief Financial Officer. The Committee may also meet <i>in camera</i> with the Head of Internal Audit alone at the request of the Committee or of the Head of Internal Audit. The Committee may request any officer, employee, or advisor of the Credit Union to attend a meeting.</p>
<b>Quorum</b>	<p>Quorum is a majority of the Committee members.</p>
<b>Accountability</b>	<p>The Committee is accountable to the Board.</p> <p>Except where the Board has authorized the Committee to act by resolution or through the Committee's Charter, the Committee has no authority to direct management or to commit First West.</p>
<b>Conflict of interest</b>	<p>Each member of the Committee shall disclose to the other members of the Committee:</p> <ul style="list-style-type: none"><li>• any personal financial interest (other than as a member) in any matter to be decided by the Committee; or</li><li>• any potential conflict of interest arising from a cross-directorship; and</li><li>• any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and, if so requested by the Board, shall resign from the Committee</li></ul>
<b>Duties and responsibilities – oversight functions</b>	<p><b>Head of Internal Audit</b></p> <p>The Head of Internal Audit reports functionally to the Committee and administratively to the Chief Executive Officer. The Committee's duties related to the Head of Internal Audit include:</p> <p>As necessary, review and recommend for Board approval the appointment of the Head of Internal Audit</p> <p>Annually review and/or evaluate the performance of the Head of Internal Audit</p>

## Duties and responsibilities – financial reporting

The Committee's duties and responsibilities related to financial reporting include:

- reviewing and recommending, for the Board's approval, the annual audited consolidated financial statements and management discussion and analysis for the year-end financial results after considering whether the statements:
  - properly reflect the significant accounting policies selected
  - reflect estimates and other financial statement elements that are reasonable and consistent
  - adequately disclose all major transactions and issues
  - disclose all post-year-end significant events
  - are understandable, relevant, reliable and comparable
- receiving quarterly financial statements with management explanation on results in relation to business activity
- monitoring the process to ensure compliance with all regulatory returns and reports as required to be filed under the terms of the *Financial Institutions Act*, by applicable legislation and regulation and recommending for Board approval the Financial and Statistical Return

## Duties and responsibilities – accounting systems and internal controls

The Committee's duties and responsibilities related to accounting systems and internal controls include:

- obtaining reasonable assurance through discussions with management and the external auditor that First West has implemented appropriate systems of internal control:
  - over financial reporting and that these systems are operating effectively
  - to ensure compliance with its policies and procedures and that these systems are operating effectively
  - to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively
- reviewing the evaluation of internal controls by the external auditor, including any recommendations for improvement of First West's accounting procedures and internal controls, together with management's response
- directing the external auditor's examinations to particular areas of concern with respect to internal controls

## Duties and responsibilities – external audit

The Committee oversees the external audit process; its duties and responsibilities include:

- recommending the appointment or removal of the external auditor to the Board
- through annual reviews and, once every five years, comprehensive reviews, determining whether the external auditor's performance is satisfactory, effective and meets First West's requirements
- reviewing issues related to any change in external auditor and the planned steps for an orderly transition
- reviewing the terms of the external auditor's engagement and the appropriateness and reasonableness of the proposed audit fees

- annually reviewing the fees paid to the external auditor and their affiliates for audit-related and non-audit consulting services in accordance with best practices
  - reviewing the audit plan with the external auditor and management
  - determining whether management has provided full and open disclosure to the external auditor's inquiries
  - reviewing problems experienced by the external auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management
  - reviewing the post-audit management letter containing the external auditor's recommendations and reviewing management's response and subsequent follow-up to any significant identified weaknesses
  - maintaining the external auditor's access to the Committee, including:
    - notifying the external auditor of the Committee's meeting schedule and providing appropriate materials
    - providing the minutes of every Committee meeting
    - holding extra Committee meetings at the external auditor's request
    - meeting in-camera with the external auditor at least annually or as requested
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**Duties and responsibilities  
– internal audit**

The Committee's duties and responsibilities related to internal audit include:

- reviewing and approving the Internal Audit Charter
  - reviewing and approving the internal audit plan and receiving quarterly progress reports while ensuring effort is reflective of the organization's risk profile
  - ensuring the internal auditor's approach to risk and internal control is appropriate and obtaining assurance that the conduct of the internal audit function is consistent with current and evolving professional standards
  - receiving and reviewing the results of all internal audits and follow-up reviews to ensure appropriate and timely action has been taken
  - providing input to management to evaluate whether the performance of internal audit is satisfactory, effective and meets First West's requirements
  - overseeing the appointment, termination, and replacement of the Head of Internal Audit
  - ensuring internal audit has adequate resources to execute on its mandate
  - reviewing problems experienced by internal audit in performing its function, including any restriction imposed by management and all significant difficulties or disagreements with management
  - ensuring the Head of Internal Audit has direct and open communication with the Committee, including regular in-camera meetings
  - ensuring an internal assessment of the internal audit function is performed every other year and an external quality assurance review is performed at least every five years regarding internal audit's performance relative to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework and the Standards as well as the efficiency and effectiveness of the internal audit function to support opportunities for improvement.
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**Duties and responsibilities  
– conduct review**

The Committee's duties and responsibilities related to conduct review include:

**Related party**

- biennially reviewing the Related Party Policy and recommend amendments for Board approval
- approving or declining to approve specific transactions between First West or a subsidiary and a Related Party as required
- obtaining assurance that approved transactions are not at a value materially different than fair market value
- obtaining assurance that approved loans will be secured as typical for similar loans in similar circumstances to non-related parties
- annually obtaining assurance from the Chief Credit Officer that all Related Parties have been identified and have signed and/or updated the Related Party disclosure form
- at least annually, reviewing a summary of the First West equity shares held with the Credit Union in self-administered trusts

**Conflict of interest**

- at least annually, reviewing the Code of Conduct and Conflict of Interest Policy and recommending amendments, where necessary, to the Board
- annually obtaining assurance from the Corporate Secretary that all Directors have reviewed and signed the Code of Conduct and Conflict of Interest Policy declaration

**Director conduct**

- creating a process to review Director conduct as prescribed in the Rules
  - reviewing Chair and Director expenses quarterly for appropriateness against policy
  - reviewing and monitoring legislation, regulations and/or litigation affecting Directors' duties, responsibilities and potential liability
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## Duties and responsibilities – other

In addition to the duties and responsibilities listed above, the Committee will:

- before disclosure to the public, regulators or stakeholders, review any formal financial reports on First West’s condition or results
- review changes to relevant legislation and regulations and reports from regulatory authorities and approve actions and responses
- confirm appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and levels of compliance
- report to the Board all financial matters of which the Committee has knowledge that may materially affect First West’s current or future position
- keep current on emerging best practices in corporate governance relevant to the Committee’s mandate and, as required, recommend to the Board changes to the Committee Charter
- submit the audited financial statements and report to the members at the annual general meeting
- In accordance with applicable laws, regulations and codes: a) monitor through management the corporate culture to ensure equitable and fair treatment of members and employees; (b) ensure adherence to applicable consumer protection obligations; and (c) annually review any applicable or required reports.
- review other matters the Committee or the Board deems advisable or timely

## Subsidiaries and outsourced business functions

The Committee will make recommendations to the Board on subsidiary matters that relate to financial reporting. The oversight standard applied to each subsidiary will vary based on the subsidiary’s size and complexity.

## Threshold for related party transactions

The Committee will be particularly rigorous in reviewing loans to related parties to ensure related party transactions are treated in the same manner as transactions conducted by other members in good standing as summarized in the applicable reports prepared pursuant to the Related Party Policy. .

This includes product pricing, product terms, fairness and the perception of fairness, which must be maintained.

**Authority to investigate**

In carrying out its responsibilities, the Board has given the Committee the authority to conduct or authorize investigations into matters within its scope of responsibility. It is empowered to:

- retain outside resources to advise the Committee and to determine the compensation for such advisors
  - seek information it requires from employees, management and external parties and meet as necessary
  - meet with any member of management, Director, external or internal resource or regulators, without management being included, if the Committee so desires, or at the request of any of these parties
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**Reporting**

The Corporate Secretariat will prepare draft minutes for review by the Committee Chair. Minutes are approved by the Committee and are then provided to the Board.

The Committee will report to the Board in writing, at least annually, regarding any decisions relating to its approval or refusal to approve the sale of or voting of any securities held in trust or estate by First West where such securities were issued by First West or a party related to First West.

Any Director may examine supporting schedules and information reviewed by the Committee upon request to the Corporate Secretary.

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**Support**

The Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, Chief Risk Officer, and the Head of Internal Audit will provide staff support to the Committee.

The Corporate Secretary or their designate will be secretary to the Committee.

The Committee will be provided the resources necessary to carry out its responsibilities, including the authorization to engage independent counsel and other advisors, subject to the approval of the Board Chair.

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**Policy responsibility**

Policies and related documents the Committee is responsible for reviewing, and the frequency of review are included in the Committee work plan appended to this Charter.

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## Standing management reports

To assist it in fulfilling its duties and responsibilities, management and/or auditors will provide the Committee with the following reports at each quarterly meeting:

Report	Content
Financial report and Board scorecard	Summary and breakdown of key financial results, metrics and ratios; updates on relevant developments and changes in the Credit Union's financial position
Internal audit report	Summary of identified pertinent emerging and industry risks, audit outcomes and findings and status of work against the annual internal audit plan
External audit report	Verbal or written update on key developments related to the external auditor's work
Related party report	Written report of related-party lending and procurement and vending conducted with related parties as per the Related Party Policy.
Employee Incident Report	Details number and nature of whistleblower complaints received in past quarter; details actions regarding impairment to ethics or questionable behavior
Chair and Director expense report	Details Chair and Director expense totals for the preceding quarter and provides assurance that all expenses were incurred and reimbursed as per policy

## Work plan

A timetable of the Committee's activities is reflected in the attached work plan.

## Review Cycle

This Charter will be reviewed annually by the Committee

**AUDIT AND CONDUCT REVIEW COMMITTEE  
WORKPLAN**

	Q1	Q2	Q3	Q4
<b>Composition</b>				
Review Committee composition – number, literacy	✓			
Identify training needed for Committee members		✓		
Elect Chair and Vice-Chair of Committee		✓		
<b>Financial Reporting</b>				
Receive from management an update of changes to accounting policies along with rationale			✓	
Receive management report on methodology for provisions			✓	
Receive quarterly financial statements with management explanation on results in relation to business activity	✓	✓	✓	✓
Review and recommend annual audited consolidated financial statements and MD&A				✓
Report audited financial statements to members at the annual general meeting	AGM			
Discuss with external auditors the appropriateness of accounting policies and errors noted during audit				✓
Receive management report on financial information disclosed to members/ general public and process to ensure integrity of such				✓
Receive report from management on compliance with financial regulatory returns and reports				✓
<b>Internal Audit (IA) Function</b>				
Review and approve Internal Audit's annual work plan, ensuring a risk-based approach and appropriate allocation of resources				✓
Receive report from Internal Audit on resourcing for function	✓			
Receive reports from Internal Audit on integrity of controls	✓	✓	✓	✓
Receive reports from Internal Audit on progress on plan, Internal Audit's view of internal controls and management of risks	✓	✓	✓	✓
Receive report on management's response to Internal Audit from time to time on the resolution of material findings from internal and/or External Audit	✓	✓	✓	✓
Review performance of Internal Audit function/provider				✓
Receive confirmation of independence of Internal Audit function				✓
Inquire of Internal Audit any restrictions on their work effort	✓	✓	✓	✓
Ensure an internal assessment of Internal Audit is performed every other year				
<b>External Auditor</b>				
Receive outline of scope and audit plan from external auditor			✓	
Consider fee estimate from external auditor against terms of engagement			✓	
Review fees for audit and other services from audit firm		✓		
Assess independence of external audit firm				✓
Review management letter from external audit firm	✓			
Review management's actions regarding auditor's letter	✓			
Review performance of external audit firm				✓
Recommend appointment of external auditor				✓
Conduct annual review of external auditor	✓			
Conduct comprehensive review of external auditor (once every five years)	✓			

		Q1	Q2	Q3	Q4
<b>Related Party</b>					
Review equity shares held in self-administered trusts		✓			
Receive management assurance that related-party loan audit has been completed			✓		
Review Related Party Report		✓	✓	✓	✓
Obtain assurance from the Chief Credit Officer that all related parties have been identified and have signed and/or updated the related party disclosure form				✓	
<b>Conflict of Interest</b>					
Obtain assurance from the Corporate Secretary that all directors have reviewed and signed the Code of Conduct and Conflict of Interest Policy declaration			✓		
<b>Director Conduct</b>					
Review process prescribed in rules for director conduct review				✓	
Receive updates on legislation and/or litigation that could affect director duties, responsibilities and potential liability		✓	✓	✓	✓
Review chair and director expenses quarterly for appropriateness against policy		✓	✓	✓	✓
<b>Other</b>					
Review Finance management, expertise and succession planning			✓		
Recommend, when required, amendments to the Committee Charter based on emerging best practices in corporate governance			✓		
Review Market Conduct Annual Report				✓	
Evaluate the performance of the Head of Internal Audit					✓
Review Employee Incident Report		✓	✓	✓	✓
<b>Policy/Document Reviews</b>					
	<b>Frequency</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>BOARD AND COMMITTEE CHARTERS</b>					
Audit and Conduct Review Committee Charter and work plan	Annual		✓		
Internal Audit Charter	Annual		✓		
<b>POLICIES</b>					
Code of Conduct and Conflict of Interest Policy	Biennial	✓			
Related Party	Biennial		✓		