

RISK, INVESTMENT AND LOAN 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 Risk, Investment and Loan Committee (the “Committee”) the duties and authority outlined in this Charter. The Committee exists to:

- oversee the identification, measurement, monitoring and control of the Credit Union’s principal risks
- define, recommend Board approval of, and oversee the Credit Union’s risk appetite and enterprise risk governance framework
- fulfill the legislated duties related to investments and lending of financial institutions detailed in the *Financial Institutions Act*
- review and recommend to the Board, for its approval and filing with the BC Financial Services Authority, written investment policies and any other documents for the Credit Union and its subsidiaries, which the Committee considers consistent with the *Financial Institutions Act*, other applicable legislation and regulation, prudent standards and within the Credit Union’s investment and loan strategy

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
 - at least one member of the Committee shall be an officer of the Credit Union
 - the majority of Committee members must not be officers or employees of the Credit Union
 - Committee members elect a Chair from amongst themselves
 - the Board Chair is an ex-officio member of the Committee and in that instance is not counted in establishing quorum and does not vote.
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Meetings	<p>The Committee meets at least four times a year to permit timely review of reports on the management of material risks.</p> <p>Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any Committee member.</p> <p>Only the members of the Committee have the right to attend and vote at Committee meetings.</p> <p>The Committee holds <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 Risk Officer alone at the request of the Committee or of the Chief Risk Officer.</p>
Quorum	<p>Quorum is a majority of the Committee members.</p>
Accountability	<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>
Duties and responsibilities – enterprise risk management	<p>The Committee's duties and responsibilities related to risk management include:</p> <ul style="list-style-type: none"> • understanding material risks to First West that may affect First West's strategic objectives • overseeing First West's three lines of defence model • reviewing and recommending for approval the Enterprise Risk Governance Framework and the Risk Appetite Governance Framework • reviewing significant reports from regulatory agencies relating to risk management and monitoring First West's response to such reports • ensuring management has established appropriate processes and systems and has adequate capabilities to manage these risks • receiving regular reports on the management of material risks to First West, including a business continuity plan to ensure the Credit Union is able to resume critical activities following a business disruption • annually reviewing insurance coverage of material business risks and uncertainties • annually reviewing with the Board First West's material risks and management's systems, processes and capabilities to eliminate or manage such risks • annually assessing the effectiveness of the Credit Union's Risk Appetite Governance Framework and recommending updates to management and the Board as necessary

- annually reviewing and recommending Board approval of the Risk Management function's mandate, resources and budget
 - regularly assessing the overall effectiveness of the Credit Union's Risk Management function
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**Duties and responsibilities
– lending**

The Committee's duties and responsibilities related to lending include:

- reviewing on a regular basis but at least quarterly the credit risk report prepared pursuant to the Credit and Counterparty Risk Governing Policy.
- annually determining whether First West has adequate commercial lending experience to implement its commercial lending policies
- at least annually:
 - reviewing maximum credit portfolio limits that support the approved Risk Appetite Governance Framework
 - reviewing the lending limits for the CEO that may in turn be delegated

**Duties and responsibilities
– investments/
treasury**

The Committee's duties and responsibilities related to investments/treasury include:

- developing and annually reviewing First West's risk-taking mandates for:
 - investment and market risk
 - asset/liability and matching risk
 - liquidity and funding risk
 - capital management
 - foreign exchange risk
 - interest rate risk
- recommending for Board approval a written Investment Policy that covers:
 - establishing limits that may be invested by investment type
 - establishing investment limits for the CEO that may in turn be delegated
 - establishing exposure limits for foreign exchange
 - establishing limits for derivative use and credit exposure limits for counter parties
 - establishing interest rate risk limits for asset-liability management
 - establishing prudent asset-liability management standards
- recommending for Board approval written capital policies that cover:
 - establishing a minimum capital adequacy limit
 - establishing definition of capital
 - establishing the desired mix of capital
- recommending for Board approval a written Liquidity, Funding Risk Governing Policy that covers:
 - establishing a minimum liquidity level
 - establishing prudent liquidity and funding sources to ensure funding diversity
 - minimizing the cost of liquidity while maintaining diversity of funding sources
 - planning for emergency contingency funding sources
- at least annually:
 - reviewing the above-noted policies and risk-taking mandates and recommending amendments to the Board
 - determining whether First West has adequate asset-liability management expertise to implement its investment and asset-liability management policies
 - determining whether First West has an adequate capital base to support its market risk profile
 - reviewing First West's three-year Capital Plan and, as necessary, recommending amendments to the Board
 - recommending for Board approval the Annual Capital Adequacy Return
 - reviewing and recommending Board approval of the Internal Capital Adequacy Assessment Process (ICAAP) document

- reviewing on a regular basis, but at least quarterly:
 - investments
 - hedges
 - borrowings
 - securitization/asset sales
 - interest risk profile, asset-liability management targets and measurements
 - liquidity and funding positions
 - capital
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**Duties and responsibilities
– regulatory compliance**

The Committee’s duties and responsibilities related to regulatory compliance include:

- appointing the Chief Compliance Office (CCO) and Chief Anti-Money Laundering Officer (CAMLO)
 - confirming appropriate policies and procedures are in place for monitoring compliance with applicable laws and regulatory guidelines and ascertaining their adequacy and levels of compliance
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**Duties and responsibilities
– other**

In addition to the duties and responsibilities listed above, the Committee will 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 risk management and material controls. The oversight standard applied to each subsidiary will vary based on the subsidiary’s size, complexity, effect on internal control materiality, degree of risk and probability of risk.

Should the Board choose to outsource to a subsidiary or third-party any part of First West’s business that is strategically or operationally significant or otherwise material, the Committee will make recommendations to the Board on matters related to the risks associated with that function and ensure adequate risk oversight is in place.

**Relevant
statutory
provisions**

The Committee should have working knowledge of, and regularly review changes to, the following statutory provisions which affect its responsibilities:

- capital and liquidity requirements of financial institutions
- investment and lending regulations
- limitation on lending
- prohibition against unfair forms of contract
- coercive tied selling
- related party regulations

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.

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

Support

The CEO, Chief Financial Officer, Chief Risk Officer, Chief Credit Officer, Chief Treasury and Investments Officer and Vice-President Treasury will provide staff support to the Committee.

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

The Committee has the authority to review, request documentation and conduct matters within its scope of responsibility. It is empowered to:

- retain outside resources to advise the Committee
- seek any information it requires from employees, management and external parties and meet as necessary

**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.

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
Risk report	Summary of the Credit Union's performance in each of its identified areas of risk; description of key events influencing risk ratings for each area and, where relevant, mitigation undertaken
Treasury report	Overview of the Credit Union's asset-liability management, liquidity and funding, capital and risk management/hedging performance
Credit report	Overview of the Credit Union's lending performance, including portfolio concentrations and credit quality; also includes reports on the First West Leasing and First West Capital subsidiaries

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.

RISK, INVESTMENT AND LOAN COMMITTEE WORKPLAN

	Q1	Q2 -	Q3 -	Q4
Review Committee composition	✓			
Identify training needed for Committee members		✓		
Elect Vice-Chair of Committee		✓		
Risk Management Framework				
Review development/update of Credit Union's risk profile				✓
Review insurance coverage of material business risks and uncertainties				✓
Receive regular reports from management on material risks and management's processes, systems and capabilities to manage such risks	✓	✓	✓	✓
Consider reports on management of risks, including a business continuity plan	✓	✓	✓	✓
Receive report from regulator, determine action	As needed	As needed	As needed	As needed
Receive report on litigation matters, determine action needed	✓	✓	✓	✓
Receive report on defalcations	✓	✓	✓	✓
Control Framework				
ERM - Quarterly reporting of inherent and residual risks	✓	✓	✓	✓
Receive reports from management on level of controls in response to risks				✓
Ensure information is presented on new regulatory requirements				✓
Ensure update of policies required for new regulations				✓
Receive legislative compliance report		✓		
Receive management report on the "in control" state of the Credit Union				✓
Lending				
Review lending limits for CEO				✓
Review maximum credit portfolio limits that support the approved Risk Appetite Framework				✓
Determine whether First West has adequate commercial lending experience to implement its commercial lending policies			✓	
Determine whether First West has adequate capital base to support its commercial lending and leasing activities				✓
Annual review of three-year Capital Plan				✓
Annual review of three-year Liquidity Plan				✓
Review management report to ensure Liquidity and Funding Policy compliance	✓	✓	✓	✓
Review write-offs for the Credit Union and its subsidiaries	✓	✓	✓	✓
A summary of all restricted loan approvals and new or increased credit facilities more than \$10 million	✓	✓	✓	✓
Review portfolio concentrations and industrial caps	✓	✓	✓	✓
Review commercial watch list	✓	✓	✓	✓
Review delinquency reports including loan delinquency, risk-rated loan statistics, allowance, adequacy of loan loss reservation	✓	✓	✓	✓
Review properties held for resale valued at more than \$500,000	✓	✓	✓	✓
Investments/Treasury				
Review investments, hedges, borrowings, securitization/asset sales, interest risk profile, asset-liability management targets and measurements, liquidity and funding positions and capital	✓	✓	✓	✓
Review and recommend annual audited capital adequacy return	March			

Policy/Document Reviews	Frequency	Q1	Q2	Q3	Q4
BOARD PROCESSES					
Director Indemnity and Liability Insurance	Annual	✓			
BOARD AND COMMITTEE CHARTERS					
Risk, Investment and Loan Committee Charter and work plan	Annual		✓		
POLICIES					
Capital Governance Policy	Annual				✓
Chief Anti-Money Laundering Officer (CAMLO) Mandate	Annual				✓
Chief Compliance Officer (CCO) Mandate	Annual				✓
Chief Risk Officer (CRO) Mandate	Annual				✓
Investment Governance Policy	Annual				✓
Investments, Acquisitions and Divestitures Policy	Biennial				✓
Liquidity, Funding Risk Governance Policy	Annual				✓
Market Risk Governance Policy	Annual				✓
Spending and Access Authority and Authorization Policy	Annual		✓		✓