

Risk, Investment and Loan Committee Charter

1 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
- promote a culture of integrity and effective risk management throughout First West

2 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.

3 Meetings

The Committee meets at least four times a year to permit timely review of reports on the management of material risks.

Additional meetings may be held as deemed necessary by any Committee member, the Board Chair, the Chief Executive Officer (“CEO”), the Chief Risk Officer (“CRO”), or the Chief Credit Officer.

Only the members of the Committee have the right to attend and vote at Committee meetings.

The Committee holds in camera sessions following each regular meeting both with and without management present and may meet in camera with the CRO alone at the request of the Committee or the CRO.

4 Quorum

Quorum is a majority of the Committee members.

5 Accountability

The Committee is accountable to the Board.

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.

6 Duties and responsibilities

6.1 Enterprise risk management

The Committee’s duties and responsibilities related to risk management include:

- 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 and recommending for Board approval significant policies and frameworks
- reviewing 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

6.2 Lending

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

- 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

6.3 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

6.4 Regulatory compliance

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

- appointing the Chief Compliance Officer (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

6.5 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.

7 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.

8 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

9 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.

10 Support

The CEO, Chief Financial Officer, CRO, Chief Credit Officer, and SVP 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

11 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.

12 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

13 Work plan

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

14 Review cycle

This Charter will be reviewed annually by the Committee.