

Board Effectiveness and Renewal Policy

1 Purpose

This document provides an overview of the processes used by First West Credit Union (“First West” or the “Credit Union”) to ensure the Credit Union’s Board of Directors (the “Board”) effectiveness and renewal. The process involves identification of key desired Director characteristics, formal and informal evaluations, education and development, and renewal through elections and appointments.

2 Key Characteristics of Directors

2.1 Overview

This section outlines the key characteristics desired to ensure First West has a diverse group of Directors with the right combination of personal attributes, skills and experience to fulfill the Board’s broad range of oversight responsibilities.

2.2 Desired personal attributes

The following personal attributes are desired:

- integrity and accountability
- strategic mindset
- ability to provide meaningful counsel on a broad range of issues, based on informed judgment
- high ethical standards in personal and professional dealings
- respect for others
- active listener and clear communicator of ideas
- sound business judgment
- exemplifies the Credit Union’s cooperative values
- history of achievements that reflect high standards for themselves and others
- ability to provide advice and make decisions in the best interest of the Credit Union
- no real or perceived conflicts

2.3 Desired competencies and experience

As a group, Directors should possess skills and experience relevant to the Credit Union's needs, which evolve to accommodate changes to First West's operating environment, risk appetite and/or external opportunities or challenges.

Each Director is expected to contribute their expertise in at least two competencies including:

- Strategic growth & innovation
- Technology-driven evolution
- People and culture
- Strategic financial oversight
- Risk management
- Real estate lending/development

2.4 Equity, Diversity and Inclusion

As outlined in the Board Equity, Diversity and Inclusion Policy, the Credit Union believes in having diverse representation among its Directors, reflecting the diversity of our members, employees, stakeholders, and the communities the Credit Union serves. As a result, the Board is dedicated to ensuring equitable and fair representation of equity deserving and inequity experiencing groups, including women, people with disabilities, and Black, Indigenous and People of Color.

The Board recognizes that diversity and inclusion is important in ensuring its Directors, collectively, possess the qualities, attributes, experience and skills required to effectively steward and oversee the strategic direction and management of the Credit Union.

Furthermore, the Board has identified equity, diversity and inclusion as essential elements in attracting high-calibre directors and maintaining a high-functioning Board and business

3 Board, Committee and Director Effectiveness Evaluation

3.1 Overview

The Board will use both informal and formal methods to evaluate its effectiveness and identify areas of improvement for the Board as a whole, for Board Committees and for individual Directors. Such evaluation will also assist in the development of improvement action plans and inform the process of Board renewal, as the Board identifies skills, experience and personal attributes it may need to strengthen.

3.2 Informal effectiveness evaluation

Informal evaluation will take place during the in-camera portion of each Board and Committee meeting, during informal conversations between the Board Chair, Vice-Chair, Directors and the Chief Executive Officer (“CEO”) and in other non-structured situations.

3.3 Formal effectiveness evaluation

Each year, the Governance and Nominations Committee (the “GNC”) will recommend to the Board the specific formal effectiveness evaluation process to be undertaken, ensuring the process chosen is appropriate to the stage of development of the Board and the Board's evaluation processes.

As part of this evaluation, the GNC will consider the balance of skills, experience, independence and knowledge on the Board as well as the Board's equity, diversity and inclusion. Additionally, unless the GNC and/or Board determine otherwise, Director evaluations and Board/GNC evaluations will be conducted in alternating years.

With the Board’s approval, the GNC may engage an independent advisor to assist in designing and implementing the effectiveness evaluation process.

3.4 Timeline for formal effectiveness evaluation

To ensure it is completed in time for the results to inform other key Board processes, the annual evaluation will typically take place according to the following timeline (which is reflected in the relevant GNC and Board work plans):

- Q2: GNC determines evaluation process form and approach; Board approves evaluation form and approach recommended by GNC
- Q3: Evaluation conducted, and results compiled and analysed
- Q3: Board reviews evaluation results, builds plans to address findings

3.5 Scope of Board effectiveness evaluation

The Board effectiveness evaluation process is designed to assist the Board in:

- assessing the Board’s overall performance and contribution to First West
- evaluating the mechanisms in place for the Board to operate effectively and make decisions in the best interest of First West
- adding value to First West
- enhancing and maintaining effective corporate governance practices

Areas typically evaluated include, but are not limited to:

- Board composition, with reference to the Board Equity, Diversity and Inclusion Policy
- Board meeting quality, including appropriateness, effectiveness and sufficiency of topics, time allocation, information provided
- dynamics, including the quality of discussions
- appropriateness and sufficiency of financial and operational reporting
- quality of relationship between Board and CEO
- quality of relationship between Board and management
- effectiveness of committees and Board Chair
- Board effectiveness in exercising independent judgment in directing and overseeing operations (independent of management, free from relationships that might interfere with exercise of independent judgment)
- the Credit Union's practices regarding business conduct and ethical behaviour
- Director training and education
- effectiveness of Board processes related to strategic planning, risk review, CEO evaluation, management development and succession and compliance
- the Board's relationship with stakeholders and the public

3.6 Scope of committee effectiveness evaluation

Committee effectiveness evaluations will typically evaluate:

- appropriateness of committee mandates
- quality of committee meetings
- appropriateness of committee membership composition
- ability of committee members to contribute to committee work

3.7 Scope of Board Chair effectiveness evaluation

Board Chair effectiveness evaluations are typically conducted by the GNC or its designate (e.g., an external consultant).

Areas evaluated are based on the Board Chair Position Description and typically include, but are not limited to:

- quality of Board Chair's interaction and relationship with management
- ability to manage the Board and its activities
- effectiveness in representing the Board internally and externally

3.8 Scope of director effectiveness evaluation

The Director effectiveness evaluation process is designed to improve the Board's overall performance by helping individual Directors build on their strengths and assess their need for continuing professional development in connection with their role on the Board. Areas evaluated are based on the Individual Director Position Description and typically include, but are not limited to:

Strategic /Visionary	•Bringing experience, wisdom, judgement, and influence to bear constructively on issues •Focusing on First West's strategy, business plan, risk appetite and culture, while also overseeing senior management and internal controls, rather than issues relating to First West's day-to-day operational management •Acting in First West's best interests rather than their own best interests or in the best interest of a region, specific interest group or constituency
Communication	•Asking probing questions and raising tough questions in a manner that encourages open discussion •Appropriately disclosing conflicts of interest •Being innovative and/or resourceful in finding or developing solutions •Providing constructive feedback to Board colleagues confidently and receiving feedback all in the spirit of supporting greater learning and contribution to the Board
Inclusivity	•Listening to and valuing other perspectives •Expressing points of view for consideration even if they seem contrary to other opinions expressed •Analyzing issues from many perspectives and considering the effect of decisions on First West's internal and external environments (e.g., employees, members, communities, and other stakeholders)
Member and community centric	•Gaining knowledge of and understanding of the needs of stakeholders served by First West, which include but are not limited to members, communities, community organizations, employees, and partners
Relationship building	•Acting as a team player and promoting collaborative relationships with all Board colleagues
Independence of mind	•Speaking and acting independently, and expressing opinions in a clear, organized, and relevant manner •Exercising good judgement and confidentiality
Conflict resolution	•Supporting Board decisions positively once made •Advising the Board Chair and/or Corporate Secretary before introducing significant and previously unknown information when possible
Active participation	•Preparing well and participating fully in Board and Committee meetings •Exercising a logical, rational approach to problem solving

4 Education and Development

4.1 Overview

New Directors will receive a comprehensive orientation to ensure they become effective Board members. This orientation process is described in detail in the Director Orientation, Education and Development Policy.

Beyond orientation, Directors are expected to commit to ongoing professional development (for the Board or for an individual Director) as recommended and provided from time to time by the Board. Directors must also complete any required Director training, and are expected to take time to educate themselves on governance duties and broad issues of the sector.

5 Board Renewal

5.1 Overview

A renewal process is necessary to ensure the Board is equipped to adapt to changing conditions in the financial services industry, society and the Board itself. It ensures the Credit Union benefits from fresh thinking and that all Directors are making a valuable contribution to helping the Credit Union achieve its goals.

Elements of First West's Board renewal process include elections, skills, competencies and attributes assessments and identification, recruitment and development of potential candidates

5.2 Elections

First West holds staggered elections; unless indicated otherwise under First West's Rules, or unless it has been determined through a Board resolution, Directors are elected to three-year terms, with one-third of directors elected each year. Staggered elections promote continual Board renewal and ensure members have regular opportunities to influence the Board's membership.

Incumbent Directors will not be automatically endorsed by the Nominations Task Force. Incumbent Directors who wish to return to the Board must follow the same nomination procedure as other candidates.

Even if properly nominated by the membership, there is no guarantee an incumbent Director will be endorsed; the decision to endorse a candidate will depend on the needs of the Board as detailed in the most recent Director recruitment profile.

5.3 Skills, competencies and attributes assessment

To help identify the skills, experience and personal attributes the Board requires at any given time, the GNC will annually prepare a Board skills, competencies and attributes matrix (included as Appendix A) that outlines:

- optimal attributes required for the Board as a whole
- skills and experience of continuing Directors
- Board composition, equity, diversity and inclusion, as defined in the Board Equity, Diversity and Inclusion Policy
- gaps (attributes that should be added and/or strengthened on the Board) to be filled through the election/appointment of new directors

Using the identified gaps as a reference, the GNC will prepare for the Board's approval a Director recruitment profile that outlines the key attributes sought to fill Director positions coming vacant. Once the Board has approved the Director recruitment profile it will provide it to the Nominations Task Force to inform its search for qualified Director candidates.

To ensure it takes place in time to inform the annual democratic process, the skills, competencies and attributes assessment will take place according to the following timeline (which is reflected in the relevant GNC and Board work plans):

- Q2: the GNC reviews the skills, competencies and attributes matrix, updates it as necessary and recommends Board approval of the proposed method of administering the assessment
- Q2: Directors update the skills, competencies and attributes matrix
- Q2: the skills, competencies and attributes matrix is updated using Directors' input
- Q2: the GNC and Board approve the updated skills, competencies and attributes matrix and the recruitment profile derived from the results