

**CANADIAN WESTERN BANK**  
**MANDATE OF THE BOARD OF DIRECTORS**

**Introduction**

The Board's primary responsibility is to oversee the management of the business and to pursue the best interests of the Bank. The Board has plenary power and exercises overall responsibility for the management and supervision of the affairs of the Bank.

**Board Size and Criteria**

The Board shall consist of at least seven and not more than 25 directors, a majority of whom must be resident Canadians at the time of election or appointment, and no more than 15% may be employees of the Bank or a subsidiary of the Bank. A majority of the directors of the Board shall be independent within the meaning of Multilateral Instrument 52-110 *Audit Committees*. If a person will have reached the age of 75 years at the time of the election of the Board, he is not eligible to be nominated as a director.

**Board Meetings**

In order for the Board to transact business, a majority of the directors must be present and a majority of those present must be resident Canadians. The Board shall meet on a regular basis and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate, which shall occur at least once each quarter. The Board shall have an *in camera* session at each Board meeting with only independent directors present.

**Reports From Committees/Subsidiaries**

Unless waived by the Board, the Chair of each of the Audit Committee, the Governance Committee and the Human Resources Committee shall provide a report to the Board on material matters considered by such committee at the first Board meeting after the committee's meeting.

**Chairman**

The Board shall appoint a Chairman of the Board who shall have responsibility to ensure that the Board discharges its duties and responsibilities. The Chairman of the Board shall be an independent director.

**Outside Advisors**

The Board shall have the authority to retain, at the Bank's expense, independent advisors and consultants to advise the Board as it determines necessary to carry out its duties and to fix the remuneration of such advisors and consultants. The Board may request any officer or employee of the Bank, or the Bank's internal or external auditors or legal counsel to attend a meeting of the Board or to meet with any directors of, or consultants to, the Board.

## Governance

The Board of Directors has responsibility for developing the Bank's approach to governance issues although the Governance Committee plays a key role by recommending and reporting on governance issues, including ethical conduct, to the Board. The Board may delegate specific governance issues to other committees of the Board. The Board is responsible for establishing the appropriate procedures to ensure that the Board, Board committees and individual directors can function independently of management.

## General Duties

It is the duty of the directors of the Bank to manage, or supervise the management of, the business and affairs of the Bank. In exercising his or her duties, every director shall act honestly and in good faith with a view to the best interests of the Bank and exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Each director shall also comply with the provisions of the *Bank Act* (the "Act"), the regulations under the Act and the by-laws of the Bank. The Board may establish from time to time various committees of the Board to perform certain functions on behalf of the Board.

## Statutory Responsibilities Contained in the *Bank Act*

The Board shall comply with the requirements under the Act including, but not limited to, the following:

- establish an audit committee and a conduct review committee to perform the duties of such committees as set out in the Act;
- establish procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information, and designate a committee of the Board to monitor such procedures;
- establish procedures to provide disclosure of information to customers of the Bank that is required to be disclosed by the Act and for dealing with complaints as required by the Act, and designate a committee of the Board to monitor such procedures and satisfy itself that they are being adhered to by the Bank;
- establish investment and lending policies, standards and procedures in accordance with the Act;
- approve the Bank's annual statement and specific reports prior to submission to the Superintendent of Financial Institutions; and
- approve, when required, related party transactions in accordance with Part XI of the Act and establish policies and procedures and oversee reporting with respect to related party transactions.

## Stewardship Duties and Responsibilities

The Board has responsibility for stewardship of the Bank, including the responsibility to:

- to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer (the “CEO”) and other executive officers (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) and that the CEO and other executive officers create a culture of integrity throughout the organization;
- adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;
- identify and monitor key risks of the Bank on a consolidated basis including market risk, operational risk, liquidity risk and reputational risk;
- oversee enterprise risk management of the Bank on a consolidated basis to ensure that policies and procedures are in place to measure and manage risk exposure;
- oversee succession planning (including appointing, training and monitoring senior management);
- adopt a communication and disclosure policy for the Bank;
- oversee the Bank’s internal control and management information systems;
- develop the Bank’s approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Bank; and
- review and disclose, no less than annually, measures for receiving feedback from stakeholders.

## Other Duties and Responsibilities

The Board shall:

- with the assistance of the Human Resources Committee, review and ratify the employment, appointment, grade levels and compensation of the Chief Executive Officer and the Executive Vice Presidents;
- with the assistance of the Human Resources Committee, develop a position description for the Chief Executive Officer which, together with other Board approved policies and practices, should provide for a definition of the limits to management’s responsibilities, and approve the objectives of the Bank to be met by the Chief Executive Officer;
- with the assistance of the Human Resources Committee, ensure the performance of the Chief Executive Officer is evaluated at least annually;

- with the assistance of the Governance Committee, develop a process to evaluate the effectiveness of each director and the Board as a whole on no less than a biennial basis;
- review and approve the strategic plan, the annual business plan and accompanying capital plan and financial operation budget, including capital expenditures;
- approve material divestures, acquisitions and financial commitments;
- with the assistance of the Human Resources Committee, approve the management proxy circular, including the Compensation Discussion and Analysis;
- with the assistance of the Audit Committee, approve the annual audited financial statements, Management's Discussion and Analysis ("MD&A"), annual information form and other annual public documents of the Bank;
- with the assistance of the Audit Committee, approve the quarterly reports to the shareholders, including the unaudited interim quarterly statements and the quarterly MD&A;
- determine the content and frequency of management reports;
- review any recommendations from regulators or the external auditors respecting their assessment of the effectiveness of the internal controls that come to their attention in the conduct of their work;
- ensure an independent audit/inspection function is in place to monitor the effectiveness of organizational and procedural controls; and
- with the assistance of the Audit Committee and Loans Committee, approve loan writeoffs.

This mandate was last reviewed and approved by the Board on June 1, 2011.