



# Corporate Governance Policy

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## 1.0 Introduction

Canadian Western Bank (Bank) recognizes that sound corporate governance practices are important to maintain the confidence of its shareholders.

All directors of the Bank are bound by the CWB Financial Group Code of Conduct: Living our Values. The Board has established mandates of the Board and each of the Board Committees.

In addition, the Board has adopted the following governance policies.

## 2.0 Number and Selection of Directors

The Board has the authority under the Bank's By-laws to fix the number of directors, which must be no less than 7 and no more than 25. The Governance Committee recommends candidates to the Board. The Board recommends director nominees for election by the shareholders.

## 3.0 Board Diversity

A board made up of highly qualified directors with diverse backgrounds will enhance the corporate governance of the Bank by bringing different viewpoints to the Board. When identifying new candidates for nomination as directors, the Governance Committee will consider each candidate's skills, expertise, experience, integrity, independence, residency and diversity criteria such as age, gender, ethnic and geographical background. The Board aims to have women comprise at least 25% of the Board.

## 4.0 Appointment of Executive Committee Members

The Board, in conjunction with the Audit Committee, the Human Resources Committee and the Risk Committee is responsible for appointing the President and Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and each Executive Vice President of the Bank (collectively, the Executive Committee). When appointing Executive Committee members, the Board will consider each candidate's skills, expertise, experience, integrity, independence and diversity criteria such as age, gender, ethnic and geographical background. The Board aims to have women comprise at least 25% of the Executive Committee.

## 5.0 Director Independence

The Board must be able to operate independently of management to maximize effectiveness and to ensure that its judgement is free from conflicts of interest or bias. The Board will assess the status of each director annually to determine whether such director is "independent" or "affiliated" as defined by governing legislation. The Governance Committee will make such assessment based on responses to self-assessment questionnaires completed by each director.

A director is independent where the Board determines that the director has no material relationship with the Bank that could be reasonably expected to interfere with the exercise of a director's independent judgment and includes an indirect material relationship. The Board will consider all relevant factors to determine whether a director is independent, including but not limited to the factors listed below.



A director is not independent if:

- a) the director is, or has been in any of the last three years, an employee or executive officer of the Bank or any subsidiary of the Bank;
- b) an immediate family member of the director is, or has been within the last three years, an executive officer of the Bank or a subsidiary of the Bank.
- c) the director or an immediate family member of the director is, or has been within the last three years, a partner of or employed by the Bank's current or former internal or external auditor;
- d) the director or an immediate family member of the director, is, or has been within the last three years, employed as an executive officer of another company where any of the current executive officers of the Bank and its subsidiaries serves or served on that company's compensation committee;
- e) the director has accepted, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or its subsidiaries, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the board or any board committee;
- f) the director received, or an immediate family member of the director (as an executive officer, or other than in the capacity of an employee) received, more than C\$100,000 in direct compensation from the Bank in any 12 month period within the last three years. Compensation does not include remuneration for acting as a member of the Board or any Board committee; or
- g) the director is "affiliated" with the Bank as that term is used in the Affiliated Persons (Banks) Regulations made under the *Bank Act* (Canada).

In addition, the Board will consider any other relevant facts, circumstances or relationships that would cause a reasonable and informed third party to conclude that the director's independence or objectivity may be compromised.

Directors with long serving tenure may have increased familiarity with management that may undermine independence. However, the length of director tenure will not, be considered a factor that is determinative of independence. The director's overall relationship with management and the Bank will be considered.

## 6.0 Other Directorships

There is no limit regarding the number of other public companies on which a director may sit. However, the Governance Committee will annually review the directorships held by each director to ensure that there are no conflicts of interest, and in the case of the President and Chief Executive Officer, that the responsibilities of external board memberships do not interfere with the governance of the Bank. The Board does not believe that interlocking board memberships of its directors impact the ability of these directors to act in the best interests of the Bank.

## 7.0 Director Attendance and Preparation

Directors are expected to attend Board and committee meetings on which they serve and to spend the time needed to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings. Each director's attendance at, and preparation for, Board and committee meetings is considered by the Governance Committee when recommending director nominees.



## 8.0 Director Compensation

The Board determines the form and amount of director compensation based on the recommendations of the Governance Committee following a review of director compensation in the marketplace. Directors who are also officers of the Bank are not compensated in their capacity as directors.

## 9.0 Director Tenure

### 9.1 Normal Term

Each director's term will expire at the first annual meeting held after his or her election in accordance with the *Bank Act* (Canada).

### 9.2 Term Limits

The Board does not impose term limits for its directors. The Board believes that it is important to assess both the effectiveness of each director and the effectiveness of the Board as a whole at least every second year and does so in alternating years.

### 9.3 Retirement Age

Directors are not eligible for re-election at the first annual meeting of shareholders immediately following their 75<sup>th</sup> birthday.

### 9.4 Disqualification

A director ceases to hold office when they becomes disqualified or ineligible to hold office under the *Bank Act* (Canada) or is removed by the shareholders.

### 9.5 Normal Term

Each director, upon any material change in their status or circumstances, or decision by the Governance Committee that a director is no longer suitable, must offer their resignation to the Chair of the Board. Relating to a material change in status or circumstance, the Board will determine, upon the recommendation of the Governance Committee, whether Board membership continues to be appropriate under the circumstances. Examples of a material change are:

- a significant change in job responsibility, occupation or employment, including retirement;
- a potential or actual conflict of interest that is incompatible with service as a director;
- any mental or physical impairment rendering the director unable to effectively perform his or her duties as a director;
- becoming the subject of a charge under a criminal or quasi criminal statute in Canada or elsewhere;
- becoming the subject of investigation by a federal or a provincial government agency or commission in connection with any conduct involving illegal or immoral activity; or
- engaging in conduct or activity that could reasonably be construed to adversely impact the reputation of the Bank.



## 10.0 Majority Voting: Election of Directors

The Board believes that each of its members should carry the confidence and support of its shareholders. Forms of proxy for the election of directors at an annual meeting of shareholders enable a shareholder to vote in favour of, or to withhold from voting, separately for each nominee. At the meeting, the Chair will call for a vote by ballot and the scrutineers will record for each nominee the number of shares in their favour and the number of shares withheld from voting.

If, for a particular nominee, the number of shares withheld exceeds the number of shares voted in favour of the nominee, the nominee will not have received the support of the shareholders, even though the nominee has been duly elected as a matter of corporate law. A person elected as a director under this test does not have the confidence of the shareholders and will immediately submit their resignation to the Board.

The Governance Committee will promptly consider the director's offer to resign and make a recommendation to the Board whether to accept it, considering the cause of the withheld votes, the skills and attributes of the director and the overall composition of the Board and whether accepting the resignation would cause the Bank to fail to meet a regulatory requirement. . The Board shall accept the resignation absent exceptional circumstances. Any director who tenders their resignation will not participate in the deliberations unless the remaining directors do not constitute a quorum in which case all directors may participate in the deliberations. Within 90 days of receiving the final voting results, the Board will issue a press release announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation. If the resignation is accepted, subject to any corporate law restrictions, the Board may:

- a) leave the resultant vacancy unfilled until the next annual general meeting;
- b) fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders; or
- c) call a special meeting of shareholders at which there will be presented director nominees to fill the vacant position or positions.

This section does not apply to a contested election of directors where the number of nominees exceeds the number of directors to be elected. Nominees for election to the Board must agree to the policy. In the event any director fails to tender their resignation in accordance with this section, the Board will not re-nominate the director.

## 11.0 Shareholding Requirement

To ensure that directors' interests align with shareholder interests, all non-management directors of the Bank are required to either hold, directly or indirectly, or exercise control or direction over, common shares or deferred share units of the Bank with value equivalent to six times the maximum allowable annual cash component of the director retainer paid to a non-Chair director. The value of the common shares is calculated by multiplying the number of common shares by the greater of the closing price of the common shares on the Toronto Stock Exchange (the Closing Price) and the adjusted cost base of the common shares. The value of a deferred share unit held by a director is calculated as the greater of the Closing Price of the referenced share and the value of the deferred share unit at the time of grant. Directors have three years from the date of initial appointment to comply. After that, the Governance Committee will assess compliance with this requirement each October 31.



## 12.0 Board Committees

### 12.1 Standing Committees

The Board has four standing committees: the Audit Committee, the Governance Committee, the Human Resources Committee and the Risk Committee.

The Governance Committee is responsible for all areas under the Bank Act that are the responsibility of a conduct review committee.

The Chair of the Board is a member of all standing committees. All independent directors will participate in at least one standing committee.

Each committee has a written mandate detailing the responsibilities, organization and operations of the committee. Each committee will review their mandate annually and the Board will approve each mandate.

### 12.2 Committee Assignments and Chairs

The Governance Committee recommends standing committee appointments (as member or chair) based on a director's knowledge, interests and areas of expertise or experience.

The Board does not favour mandatory rotation of committee assignments or chairs as it believes experience and continuity are more important than rotation. The Governance Committee may recommend a rotation to respond to current or expected changes in Board membership or if rotation is likely to increase committee performance.

## 13.0 Access to Management

Directors have complete and open access to the Bank's senior management. A director may contact any member of senior management directly, or ask the President and Chief Executive Officer or the Corporate Secretary to arrange a meeting.

## 14.0 Access to Outside Advisors

The Board and each committee will have the power to hire, at the Bank's expense, independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Bank.