

## **CORPORATE GOVERNANCE POLICIES**

### **INTRODUCTION**

Canadian Western Bank (the “Bank”) recognizes that sound corporate governance policies are important to maintain the confidence of its shareholders. The Board of the Bank has therefore adopted the following policies which are in addition to the requirements set out in the Code of Conduct for directors and the mandates of the Board and the Board Committees.

### **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. Candidates for the Board shall be selected by the Governance Committee and recommended to the Board for approval, after taking into consideration the skills, expertise, experience and diversity, in accordance with the Board Diversity Policy, that the Board considers necessary for the Board and its committees to possess, as well as factors such as the integrity, independence and residency of the candidate.

### **BOARD DIVERSITY**

The Board believes that 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. As such, when identifying new candidates for nomination as directors, the Governance Committee will, in addition to examining each candidate’s skills, expertise, experience and other personal qualities, consider diversity criteria, including each candidate’s age, gender, ethnic and geographical background. The Board aims to have women comprise at least 25% of the Board by the end of 2018.

### **APPOINTMENT OF EXECUTIVE COMMITTEE MEMBERS**

The Board, in conjunction with the Audit Committee and the Human Resources Committee is responsible for appointing the President and Chief Executive Officer, the Chief Financial Officer, and each Executive Vice President of the Bank (collectively, the “Executive Committee”). When appointing Executive Committee members, the Board will consider the skills, expertise, experience and diversity (including age, gender and ethnic background) of the Executive Committee, and will aim to have women comprise at least 25% of the Executive Committee.

### **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 shall review the status of each of its directors annually to determine whether such director is “independent” or “affiliated” as defined by governing legislation. The review shall include the completion of self-assessment questionnaires by each of the directors and a review of the responses by the Governance Committee.

A director is considered independent only where the Board determines that the director has no material relationship with the Bank that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment and includes an indirect material relationship. The Board shall take all relevant factors into account 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\$75,000 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 shall 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.

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

## **OTHER DIRECTORSHIPS**

There is no fixed 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.

## **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 shall be considered by the Governance Committee when recommending director nominees.

## **DIRECTOR COMPENSATION**

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

## **DIRECTOR TENURE**

### **Normal Term**

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

### **Term Limits**

The Board does not impose term limits for its directors but believes that it is important to assess both the effectiveness of each director and the effectiveness of the Board as a whole no less than every second year, with each assessment to be conducted on alternating years. Pursuant to the *Bank Act* (Canada), the Chief Executive Officer of the Bank is required to serve on the Board so long as he holds such office.

### **Retirement Age**

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

### **Disqualification**

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

## **Resignation**

Each director, upon any material change in his or her status or circumstances, must forthwith offer his or her resignation to the Chair of the Board. The Board will determine, upon the recommendation of the Governance Committee, whether a director's Board membership continues to be appropriate under such circumstances. Examples of such a material change would be:

- 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 as likely to materially adversely impact the status or reputation of the Bank.

## **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 vote at an annual meeting of shareholders where directors are to be elected will enable the 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 with respect to each nominee the number of shares in his or her favour and the number of shares withheld from voting. If, with respect to any particular nominee, the number of shares withheld exceeds the number of shares voted in favour of the nominee, the nominee shall be considered not to have received the support of the shareholders, even though the nominee will have been duly elected as a matter of corporate law.

A person elected as a director who is considered under this test not to have the confidence of the shareholders is expected to immediately submit to the Board his or her resignation. The Governance Committee will promptly consider the director's offer to resign and make a recommendation to the Board whether to accept it. In making its recommendation the Committee will consider 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. Any director who tenders his or her 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 leave the resultant vacancy unfilled until the next annual general meeting, fill the vacancy through the appointment of a new

director whom the Board considers to merit the confidence of the shareholders or call a special meeting of shareholders at which there will be presented director nominees to fill the vacant position or positions.

This policy 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 before their names are put forward. In the event any director fails to tender his or her resignation in accordance with this policy, the Board will not re-nominate the director.

## **SHAREHOLDING REQUIREMENT**

To ensure that directors' interests are aligned with shareholder interests, all non-management directors of the Bank are required to hold, either directly or indirectly, or exercise control or direction over, common shares or deferred share units of the Bank with value equivalent to five times the annual Board retainer paid to directors. 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 and must, at minimum, hold 1/3 of the requirement on the first anniversary of his or her appointment as a director and 2/3 of the requirement on the second anniversary of his or her appointment as a director. Thereafter, compliance is assessed as at October 31 of each year.

## **BOARD COMMITTEES**

### **Standing Committees**

The Board has four standing committees: the Audit Committee, the Governance Committee, the Human Resources Committee and the Loans Committee. The Governance Committee is responsible for all areas which, under the *Bank Act*, are the responsibility of a conduct review committee. All directors are required to participate in at least one standing committee.

Each committee has its own written mandate detailing the responsibilities, organization and operations of the committee. Each mandate must be reviewed and approved annually.

### **Committee Assignments and Chairs**

Committee assignments and the designation of committee chairs should be based on the director's knowledge, interests and areas of expertise. The Board does not favour mandatory rotation of committee assignments or chairs as it believes experience and continuity are more important than rotation. Committee members and chairs may be rotated in response to changes in membership of the Board and in all cases should be rotated only if rotation is likely to increase committee performance.

## **ACCESS TO MANAGEMENT**

Directors shall have complete and open access to the Bank's senior management. Contact or meetings may be arranged for directors through the Chief Executive Officer, the Corporate Secretary or directly by the director.

## **ACCESS TO OUTSIDE ADVISORS**

The Board and each committee shall 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.