GOVERNANCE POLICY – BOARD SUCCESSION PLANNING

A. POLICY PURPOSE & OBJECTIVES

To ensure that a framework is in place for an effective and orderly succession of Directors that will result in the collective knowledge, skills and experience necessary for the Board to effectively govern Concentra Bank (hereinafter referred to as “Concentra”).

The objectives of Concentra’s Board succession planning process include:

a) To identify the required knowledge, skills and experience at a full Board composite level to effectively fulfill the Board’s legal role and responsibilities, as that may evolve over time;

b) To ensure an appropriate balance across the Board, as set out in Section C of this Policy; including, ensuring sufficient diversity among Directors to appropriately reflect the national demographic across the breadth of Concentra’s ownership and client base;

c) To ensure appropriate and pro-active processes are in place to recruit qualified candidates in a number sufficient to generate and maintain a robust pool of potential candidates across the balance of representation and qualifications sought by the Board from time to time;

d) To identify the best qualified individuals for recommendation to the annual AGM;

e) To achieve continuity through a smooth succession of Directors (including Board and committee leadership) that balances fresh perspective and independence with experience and institutional memory; and,

f) To satisfy best practice within the legal and regulatory framework within which Concentra operates; in particular, the satisfaction of Bank Act requirements and the OSFI Corporate Governance Guidelines.

B. SUCCESSION PLANNING GUIDING PRINCIPLES

1. As a Bank, the Board is committed to ensuring that its governance framework, policy and process is consistent with a focus on a competency based board that represents the best qualified individual Directors and reflects Concentra’s national stakeholder and client base.

2. Concentra has a continuing commitment to serving the credit union sector and reflecting the cooperative principles and values; Directors, will be expected to understand, reflect and commit to the cooperative framework within which Concentra operates.

3. The Board acknowledges that in so far as Concentra has a majority shareholder, as defined in its by-laws, 4 of the 12 Directors are entitled to be nominated to the Board by the Majority Shareholder. In addition, one of those 12 positions on the Board is filled by the CEO of Concentra. However, within that context, a highly effective and functioning board is of mutual interest to Concentra, and its majority and minority shareholders. To this end, the Board is committed to an effective Board succession planning process to assist both the Majority Shareholder in determining their nominees and Concentra in
fulfilling its accountability for its own internal processes and ensuring the implementation of best practices in relation to board succession planning.

4. In addition to satisfying the core competencies at a full Board composite level, it is acknowledged that to govern effectively the Board should also be able to work efficiently together as a group, within a spirit of collegiality, while maintaining a creative and healthy tension that comes from the constructive interaction of individuals with different backgrounds and perspectives.

5. Regardless of the combination of approaches or sources used, the identification of potentially qualified Directors and evaluation processes should be fair, open, transparent, competency-based, inclusive and consistently applied.

6. The recruitment and candidate evaluation process should also take into account those additional skills, qualifications and attributes required for the role of Board Chair, Vice-Chair or Committee Chairs as set out in the Terms of Reference for these respective positions. This will assist the Board in effective Board officer succession planning by ensuring that the Board has a pool of qualified Directors from which it can draw upon to maintain effective board leadership.

7. The Governance and Nominating Committee will provide leadership over Board succession planning and shall implement such processes and procedures as required to fulfill these policy objectives.

C. BOARD BALANCE – GUIDING PRINCIPLES

The Board is committed to ensuring that the satisfaction of core competencies, as established and revised by the Board from time to time, will remain the primary criteria for assessing individual Director candidates. To be eligible for consideration for recommendation to the Board of Concentra, all potential Director candidates shall be required to satisfy a minimum threshold against core competencies to be established on an annual basis by the Board.

In addition to identifying the best qualified candidates against core competencies, the Board shall also seek to achieve an appropriate balance of skills, expertise, attributes, diversity and backgrounds at a full Board composite level considering the following guiding criteria:

a) **System Experience: Commitment to Cooperative Principles & Values and/or Understanding of the Credit Union System**
   - The Board shall ensure that there is sufficient commitment at a full Board composite level to the spirit of the cooperative principles and values and an understanding of the credit union system within which Concentra operates.
   - This commitment and understanding may, but does not necessarily, need to arise through a Director’s specific employment or working relationship within the credit union system.

b) **Technical Skills & Expertise**
   - Concentra’s core competencies focus on both the skills, experience and expertise necessary for effective Directors and the specific technical skills and expertise to effectively govern the specific industry and environment within which Concentra operates.
• While it is not expected that all individual Directors will possess the breath of core competencies sought at the full Board level, an appropriate degree and balance shall be sought among the full Board to ensure that it possesses sufficient technical expertise to fulfill its strategic and fiduciary and risk oversight responsibilities.

• In addition, consideration should be made in the board succession planning process of the need for emerging technical skills and expertise at the Board level that may evolve based as a result of emerging or evolving priorities, risks or changes in Concentra’s business operations.

c) **Independence**

• In determining appropriate Board balance, Concentra is committed to ensuring best practice in governance; in particular, ensuring satisfaction of the OSFI Corporate Governance Guidelines. In this regard, it will ensure compliance with its Independence Standard which incorporates the relevant requirements under The Bank Act, OSFI Corporate Governance Guidelines, and best practice in relation to independence standards appropriate to Concentra’s governance and operating environments.

d) **Continuity:**

Concentra has a controlling shareholder and in so far as it continues to have a majority shareholder, is subject to the cumulative voting provisions in the Bank Act which does not allow for Director terms beyond one year. In this regard, board continuity is of particular importance to Concentra both in its initial formation as well as on an ongoing basis. The Board has an interest in ensuring sufficient, but appropriate, levels of continuity to avoid creating a potential governance risk associated with a loss of stability and/or leadership at the board level.

In this regard, the Board will take into account the following principles in relation to maintaining continuity:

• The appropriate level of board continuity may vary depending on the particular circumstances of Concentra in any given year however, generally, the objective of ensuring sufficient levels of continuity should be reasonable, focusing on the maintenance of a prudent majority designed to maintain a functional aggregate of tenure over time.

• The need for continuity should be balanced with the need for a regular and reasonable degree of turnover on the Board to both maintain independence as well as to ensure a continuing fresh perspective and the ability to expand necessary skills and qualifications as evolving circumstances may require.

e) **Diversity**

• In addition to the overall objectives to achieve a diversity of perspective and demographics at a full Board composite level, specifically, the Board is committed to achieving a full board composition in which each gender comprises at least one-third of the Directors.

• The Board will report to its stakeholders on results against this objective, as part of the Annual Reporting process.

D. **TENURE**
Concentra believes that appropriate term limits for Directors should be in place that balances the need for seasoned Director experience and knowledge that can only be gained over time, with the need to ensure that a fresh perspective is maintained as well as compliance with independence standards.

To satisfy these principles, term limits for Directors will be set at 9 years.

While 9 years has been set as the optimum Board term limit; the Board also recognizes that the term limit is a guideline, and it should maintain the discretion to extend the term for the purpose of ensuring the continuing effectiveness of the Board. In this regard, a Director’s term limit may be extended beyond 9 years if the candidate would otherwise be recommended for re-election and the Board determines it is in the best interests of Concentra to extend the term.

If an individual Director’s term is extended beyond 9 years, it shall be confirmed on an annual basis thereafter, to a maximum of 12 years.

On the effective date of Concentra, under its Letters Patent, any Director of Concentra Financial shall be considered to have served a term on Concentra’s Board equal to the term they have served on Concentra Financial’s Board. However, for the purpose of ensuring continuity during transition, any Director of Concentra Financial, at the first Annual General Meeting from the date of continuance, shall be eligible to serve up to an additional 3 years as a Director of the Concentra Board.

A Director who has served on the Board who has taken either a leave of absence, or otherwise not been re-elected to the Board for a period of three years or more, may be eligible to seek re-election, and if successful, the term limits shall re-set. In other words, the Director will be treated as any other new Director for the purpose of determining term limits.

Concentra is also committed to the principle that neither Director term limits nor the implementation of a 3 year performance assessment cycle (set out in Section F of this Policy) should be the mechanism for monitoring and/or ensuring effective individual Director performance. The Board has in place a comprehensive Board performance assessment process, including individual Director performance, and is keenly aware of its obligations to monitor and address Director performance on a regular and ongoing basis without relying on assessment cycle reviews or term limits to address individual Director performance.

E. ROTATIONAL INCUMBENT DIRECTOR ASSESSMENT

Under the provisions of The Bank Act, Concentra is restricted to electing Directors for 1year terms only. For the purposes of ensuring appropriate Board balance and continuity, and enhancing the robustness of its governance framework, it is desirable that a reasonable degree of annual turnover on Concentra’s Board be maintained (to avoid a full Board turnover on an annual basis and yet allow some mechanism for a reasonable level of turnover).

Accordingly, Concentra will implement a process whereby 1/3rd of the Board each year, on a staggered and rotational basis, will be deemed to be considered to be a “new candidate” for Directorship and proceed through a full candidate assessment process with potential new Directors. (As if, if there were Director terms, that term was coming to an end although the incumbent would be eligible for re-election.) While performance assessment will be taken
into account each year in determining the recommended 12 candidates to the AGM, 1/3rd, or 4 Directors each year, will come back into the full assessment process by the Nominating Committee. The Nominating Committee should strive to ensure that additional candidates from the candidate pool are included in that assessment process to ensure that the total 12 Directors continue to comprise the “best qualified” Directors for Concentra based on core competencies and desired balance. It is acknowledged that individual Director resignations or other events may increase the number of candidates to be assessed and to fill actual vacancies occurring on the Board.

F. COMMUNICATION & REPORTING

- Concentra is committed to ensuring that its governance policies and practices, including those associated with this Policy, are transparent to its ownership, key stakeholders, the regulatory community and the credit union system;

- Concentra will ensure that the Board succession planning process, including the Director recruitment, candidate assessment, and election processes and the results thereof; in particular, in relation to its objectives on achieving gender diversity are effectively communicated in a timely manner, both on transition to Concentra as well as on an ongoing basis; and,

- Concentra will continue to consult with its ownership base and other key stakeholders to seek continual improvement of its governance policies and processes to ensure that its Board is well positioned to govern effectively.

G. POLICY REVIEW

This policy and process should be reviewed annually by the Governance & Nominating Committee in order to determine whether changes should be made.

Initial Policy Approval by CONCENTRA Board: Date: November 22, 2016

Approved Revisions to Policy: Date: ______________