



**Governance
Accountability
Report**

2016



NORTHERN SAVINGS
CREDIT UNION

INTRODUCTION

The members of Northern Savings Credit Union (Northern Savings or the Credit Union) elect the individual members to the Board of Directors (the Board).

RULES

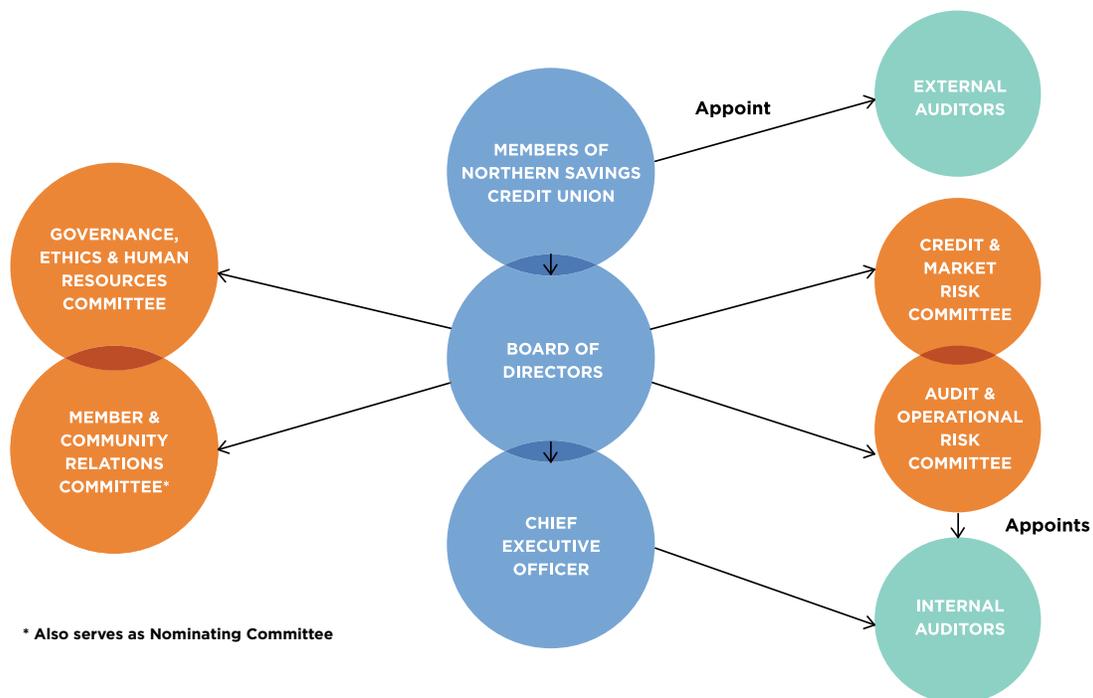
Northern Savings and its Board must follow the guidelines stated within the Credit Union's rules which were approved by the members on April 9, 2014. The rules provide guidelines on the following:

1. Membership
2. Deposits and shares
3. Borrowing and lending
4. Qualifications and election of Directors
5. Duties, powers and proceedings of the Directors
6. Removal of Directors
7. Indemnification of Directors and Officers
8. General Meetings, resolutions and general provisions

Members can find the full contents of the rules at www.northsave.com/AboutUs/WhoWeAre/

Members can find the full contents of the rules at www.northsave.com/AboutUs/WhoWeAre/. In 2016, the Board identified that changes were needed to the rules to allow for the proper governance of the Credit Union. Changes will be considered by the members in early 2017.

THE GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

The current rules of the Credit Union provide for ten Directors on the Board with one (1) each from the two Haida Gwaii Districts, three (3) from the Terrace District and five (5) from the Prince Rupert and Area District. Directors are elected for a three-year (3) term of office, unless they have been appointed or elected to complete the unserved portion of a term of office of a former Director.

Northern Savings seeks Directors who have the appropriate combination of talents to provide for sound governance over the Credit Union.

The Nominating Committee is responsible for overseeing the nomination process and election of Directors to the Board in accordance with the Credit Union's rules.

The authority of the Board is granted pursuant to certain legislation (Business Corporations Act, The Credit Union Act, the Financial Institutions Act) and the rules of the Credit Union.

The Board has the authority and obligation to protect and enhance the tangible and intangible assets of Northern Savings. The Board is accountable to the Credit Union and must conduct its duties in the best interest of Northern Savings as a whole. In order for Northern Savings to be successful, the Board recognizes that the Credit Union needs to be accountable to and strive to meet the needs of its stakeholders which include members, employees, the provincial regulator, and the Credit Union system.

The Board fulfills its role through decision making and oversight. The decision making function involves the formulation of strategic goals, establishing governing policies and approving certain significant actions and items. The oversight function includes the duty to supervise management's decisions, to gain assurance of the adequacy of controls

and information, and to gain assurance of adherence to governing policies.

The Board operates by delegating certain of its responsibilities to management and reserving certain powers to itself. The Board's principal duties fall into seven main categories as follows:

1. Adoption and monitoring of strategic and business planning processes and plans;
2. Appointing, monitoring and compensating executive management;
3. Overseeing management of enterprise risk;
4. Establishing and upholding the Credit Union's integrity, ethics and social responsibility;
5. Overseeing integrity of system of internal control and management information;
6. Providing for effective communication with members;
7. Establishing and maintaining effective governance practices.

DIRECTOR RESPONSIBILITIES

Directors act as part of a Board and rarely have power to act individually. Thus, a Director is part of a team and must be prepared to cooperate with other Directors to ensure the Board's work is carried out successfully and in a timely manner. Each Director is required to serve on at least one Board committee, to attend all Board meetings, to attend various meetings at the regional and provincial levels and membership meetings, and to fulfill requirements for ongoing education.

Given the complex nature of the financial services business, each Director is provided a considerable amount of material related to the industry and directly to the affairs of the Credit Union. Directors must understand the industry and keep up to date on the

Credit Union's business. Being informed and keeping up to date is a major responsibility of each Director and is a requirement in order that Board discussions can proceed at a high-level and sound and prudent decisions can be reached. Given the demanding responsibilities, there are education requirements established for all Directors which are outlined below.

A Board approved terms of reference sets out the responsibilities of each Director. Each Director signs the document to indicate their commitment to perform the responsibilities. Further, each Director must review and sign their commitment to honour the Code of Conduct set for Directors.

Annually, the Board Chair meets individually with each Director to discuss their contribution to the governance of the Credit Union.

Director development is an important component of providing for continuous effective governance of Northern Savings. As such, the Board is committed to providing all Directors with access to education specific to understanding the concept of governance and the technical aspects of governing a financial institution.

The Board expects all Directors to utilize informal and formal mechanisms to acquire the necessary knowledge and to enhance their ability to be an effective Director. Directors are to invest at least 35 hours in professional development on an annual basis.

Ongoing development/learnings for Directors can be achieved through attendance at various forums including formal courses, conferences, credit union system related meetings, and informal means (such as reading a national or international financial press).

Credit Union Director Achievement (CUDA) is a nationally recognized program that Directors are to complete within three (3) years of joining the Board. Northern Savings requires its Directors to attend the mandatory courses to achieve their CUDA certificate while optional courses are the choice of the Director.

BOARD COMMITTEES

The Board works diligently throughout the year to oversee the operations of Northern Savings with a view to the long-term sustainability. Directors are required to attend the regularly scheduled Board meetings (generally there are ten a year), strategic planning and special meetings to deal with specific issues, as well as generally four committee meetings each year. There are four standing committees established by the Board:

1. Audit and Operational Risk Committee

The Audit and Operational Risk Committee's primary role is to set the context for an effective enterprise risk management (ERM) framework and gain assurance that management has implemented appropriate systems and practices aligned with an ERM framework. This Committee oversees the design and implementation of internal controls to support the risk management framework.

Within the ERM and control frameworks, the Committee assists the Board in fulfilling its oversight responsibilities regarding safeguarding of assets and members deposits, compliance with laws, regulations and governing policies, integrity of management and financial information, and efficiency and effectiveness of operations. Further, the Committee oversees the work of the external and internal audit functions. This Committee serves the requirements of the Audit Committee as outlined in the Credit Union Act.

2. Credit and Market Risk Committee

The Credit and Market Risk Committee's role is to provide effective oversight of Northern Savings' risk management activities related to investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, and capital management. This includes providing

for the appropriate governing policies to be developed to provide the context for risks to be taken, the level of risks, and the monitoring of adherence to those policies. This Committee serves the requirement of the Investment and Loan Committee under the Financial Institutions Act.

3. Governance, Ethics and Human Resources Policy Committee

The Governance, Ethics and Human Resources Policy Committee assists the Board of Directors in providing for effective governance and ensuring that governance practices evolve with the needs of the Credit Union.

This Committee also assists in protecting the reputation of Northern Savings by developing and monitoring policies which provide for the desired ethical conduct by Directors and employees and to prevent the exercise of undue influence by related parties.

Also this Committee serves as the Conduct Review Committee specified by the Financial Institutions Act. The Committee is responsible for having governing policies in place and implemented by management to provide employees at Northern Savings with fair and meaningful employment in a safe and respectful workplace. The Committee has specific responsibilities with respect to the appointment, monitoring and compensation for the CEO and the positions which report directly to the CEO.

4. Member and Community Relations Committee

The Member and Community Relations Committee has two primary roles. One of the roles is to gain assurance that Northern Savings develops and pursues objectives to maximize member engagement in the Credit Union, and to fulfill its social

responsibility within the communities where Northern Savings operates. Additionally, the Committee gains assurance that the appropriate processes are in place to communicate effectively with members and other stakeholders.

This Committee also serves as the Nominating Committee required by Northern Savings' rules. These responsibilities include facilitating the identification of qualified candidates for election to the Board of Directors. The Committee is to provide for the proper conduct of the Director elections including overseeing an orderly, open and transparent Board election process. The intent of the election process is to encourage broad-based, informed, active and effective member engagement and participation in the election process.

The Board works diligently throughout the year to oversee the operations of Northern Savings with a view to the long-term sustainability of the Credit Union.

In addition to the above committees, the Board establishes adhoc committees as needed. In 2016, Northern Savings entered into a process for the hiring of a new CEO and the Board established a CEO Selection Committee. The objective of the Selection Committee was to conduct a recruiting process, for the identification and recommendation to the Board, of a person to be appointed into the CEO position. In late 2016, the Board established a joint Board-Management adhoc committee to oversee the redesign of the Masset Branch. This committee will oversee the material spend which will be incurred to renovate the Masset branch and integrate the Masset insurance operations with the retail banking operations.

THE CURRENT DIRECTORS

The Directors (in alphabetical order) who were in office following the adjournment of the annual general meeting held in May 2016 and the departure of a Director in June are listed below. The information provided for each Director includes a brief outline of their background and experience, the Board Committees to which they were appointed following the annual general meeting, and the tenure of their directorship. There are no interlocking directorships with other Directors and no Director serves on any other Boards by virtue of their directorship on the Board of Northern Savings.



SEAN CARLSON

BOARD POSITIONS AS OF DECEMBER 2016:

- Chair, Credit & Market Risk Committee
- Member, Board/Staff Masset Branch Redesign Committee
- Member, Governance, Ethics & Human Resources Policy Committee

DIRECTOR SINCE: 2014

CURRENT TERM EXPIRES: 2018

BACKGROUND/EXPERIENCE:

Sean is an engineer-in-training with McElhanney Consulting Services Ltd. in Prince Rupert. He brings an innovative perspective to the boardroom, representing a new generation of young professionals returning to live and work as proposed industrial and commercial projects become operational in the region. Sean’s past and present community involvement includes participating on the Pacific Northwest Music Festival committee in Terrace, and the Kaien Island Trail Enhancement and Recreation Society in Prince Rupert.



MIMMO CICCONE

BOARD POSITIONS AS OF DECEMBER 2016:

- Member, Audit & Operational Risk Committee

DIRECTOR SINCE: 2016

CURRENT TERM EXPIRES: 2017

BACKGROUND/EXPERIENCE:

Mimmo is a Manager with Community Corrections providing counselling, case management and risk assessment services to court-ordered adult offenders; general and specialized individual, group and family counselling; and provides consultation to probation officers, social workers, community agencies and care-givers who are involved in service provision to adult offenders.



RODNEY COX

BOARD POSITIONS AS OF DECEMBER 2016:

Vice Chair, Board of Directors

Chair, Governance, Ethics & Human Resources Policy Committee

Member, Credit & Market Risk Committee

DIRECTOR SINCE: 2015

CURRENT TERM EXPIRES: 2017

BACKGROUND/EXPERIENCE:

Rodney has over 30 years of accounting and financial management experience and has worked in a wide range of industries in the Northwest including construction, forestry and logging, retail/wholesale, and media. Rodney's board experience includes the BC Chamber of Commerce, United Way Northern BC, and the Institute of Professional Bookkeepers of Canada. Rodney currently operates CFR Management Inc.



SUSAN CROWLEY

BOARD POSITIONS AS OF DECEMBER 2016:

Member, Credit & Market Risk Committee

Member, Member & Community Relations Committee

DIRECTOR SINCE: 2013

CURRENT TERM EXPIRES: 2019

BACKGROUND/EXPERIENCE:

Susan is a teacher who works in a casual capacity in Prince Rupert. She has also worked in positions for Elections Canada and Elections BC. Susan has recently taught Early Childhood Education courses for the First Nations Training and Education Centre in Prince Rupert. Internationally, she has worked in teacher training teams in Namibia and Central America.



FLORA D'ANGELO

BOARD POSITIONS AS OF DECEMBER 2016:

Chair, Board of Directors

Member, Governance, Ethics & Human Resources Policy Committee

DIRECTOR SINCE: 2007

CURRENT TERM EXPIRES: 2019

BACKGROUND/EXPERIENCE:

Flora has been a principal, literacy support teacher and classroom teacher in the Northwest for 30 years. She has been an educator at elementary, secondary and adult levels. Flora has been a member of the Credit Union since coming to Prince Rupert.



JOCELYN LEBELL

BOARD POSITIONS AS OF DECEMBER 2016:

Member, Credit & Market Risk Committee

DIRECTOR SINCE: 2016

CURRENT TERM EXPIRES:

2019; however, Ms. Lebell retired from the Board January 2017 due to a change in her job which created a conflict with the Credit Union Director role

BACKGROUND/EXPERIENCE:

Jocelyn was with Hawkair Aviation for approximately ten years as Revenue Manager and then the Director of Corporate Services.



TRENT MORAES

BOARD POSITIONS AS OF DECEMBER 2016:

Member, Board/Staff Masset Branch Redesign Committee,
Member, Governance, Ethics & Human Resources Policy Committee

DIRECTOR SINCE: 2013

CURRENT TERM EXPIRES: 2017

BACKGROUND/EXPERIENCE:

Trent is a Councilor for the Skidegate Band Council. Previously, Trent was the Housing Coordinator with the Skidegate Band Council for approximately nine years with a focus on creating and maintaining healthy and safe housing for all band members. He worked in lands and economic development, energy, Band memberships, and estates.



KIM MUSHYNSKY

BOARD POSITIONS AS OF DECEMBER 2016:

Member, Audit & Operational Risk Committee
Chair, Board/Staff Masset Branch Redesign Committee
Member, Member & Community Relations Committee

DIRECTOR SINCE: 2015

CURRENT TERM EXPIRES: 2018

BACKGROUND/EXPERIENCE:

Kim is the Chief Administrator for the Village of Port Clements. Kim has over 30 years of experience as an Administrator, specifically in the area of accounting. Kim worked in the retail cooperative sector for over 15 years. Kim has served terms on three other boards. Kim has a Bachelor's Degree in Business Administration and has completed her Specialization in Local Government in BC Accreditation via the University of Victoria.



ERIN NEWTON

BOARD POSITIONS AS OF DECEMBER 2016:

Chair, Member & Community Relations Committee
Member, Audit & Operational Risk Committee
Member, Credit & Market Risk Committee

DIRECTOR SINCE: 2015

CURRENT TERM EXPIRES: 2018

BACKGROUND/EXPERIENCE:

Erin currently operates Northern Laboratories (2010) Ltd. Erin has a Bachelor's of Business Administration and has previous experience in the accounting profession.



ANNE PELTIER

BOARD POSITIONS AS OF DECEMBER 2016:

Chair, Audit & Operational Risk Committee
Member, Member & Community Relations Committee

DIRECTOR SINCE: 2012

CURRENT TERM EXPIRES: 2018

BACKGROUND/EXPERIENCE:

Anne has over 40 years of experience working in both the not-for-profit social service sector as well as working in the business sector. She has sat on the Provincial Early Childhood Educators Board as Treasurer and Director of Conference and the Provincial Family Resource Programs Board. Anne is presently the Administrator for two Terrace based companies. Anne holds a Diploma in Early Childhood Education Specialty in Infant Toddler Care and Special Needs (UCC now Thompson Rivers University), and holds a Diploma in Events and Convention Management.

DIRECTOR ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

The following chart presents the attendance record for each Director at Board meetings, meetings of the standing committees and the adhoc committee. The Board meeting numbers also include the Director's attendance at the strategic planning session which took place over two days in November 2016.

The chart shows the number of applicable meetings attended by the Director during the period January 1 to December 31, 2016 and his/her attendance percentage. In 2016, two Directors stepped down at the adjournment of the annual general meeting held in May 2016, three Directors joined the Board through the election process, then following the election process in spring 2016, one Director stepped down during the year, and one Director was appointed to fill the vacancy. Therefore the number of applicable meetings will be specific to each Director depending on whether they were continuing an existing term, starting or completing a term. Also during the 2016 year, Directors were moved between committees, therefore the number of applicable meetings will not be the same for all Directors.

<i>Director</i>	<i>Board Meetings</i>	<i>BOARD COMMITTEES</i>					
		<i>Audit & Operational Risk</i>	<i>Credit & Market Risk</i>	<i>Governance Ethics & Human Resources</i>	<i>Member & Community Relations</i>	<i>CEO Selection</i>	<i>Board/Staff Masset Branch Redesign</i>
S. Carlson	26 of 26 100%	N/A	9 of 9 100%	6 of 6 100%	N/A	6 of 6 100%	1 of 1 100%
M. Ciccone	14 of 16 88%	3 of 3 100%	N/A	N/A	N/A	N/A	N/A
R. Cox	26 of 26 100%	N/A	6 of 7 86%	6 of 6 100%	N/A	6 of 6 100%	N/A
S. Crowley	24 of 26 92%	N/A	8 of 9 89%	3 of 3 100%	6 of 7 86%	6 of 6 100%	N/A
F. D'Angelo	26 of 26 100%	N/A	N/A	6 of 6 100%	N/A	6 of 6 100%	N/A
J. Lebell	15 of 16 94%	N/A	4 of 4 100%	N/A	N/A	N/A	N/A
T. Moraes	17 of 23 74%	2 of 3 67%	N/A	2 of 2 100%	N/A	N/A	1 of 1 100%
K. Mushynsky	26 of 26 100%	6 of 6 100%	N/A	N/A	7 of 7 100%	N/A	1 of 1 100%
E. Newton	26 of 26 100%	3 of 3 100%	5 of 5 100%	N/A	7 of 7 100%	N/A	N/A
A. Peltier	26 of 26 100%	6 of 6 100%	N/A	N/A	7 of 7 100%	6 of 6 100%	N/A
RETIRED DIRECTORS							
L. Hope	5 of 10 50%	N/A	N/A	N/A	2 of 4 50%	N/A	N/A
D. Louis	2 of 2 100%	N/A	N/A	N/A	N/A	N/A	N/A
N. Parmar	5 of 10 50%	1 of 3 33%	2 of 5 40%	N/A	N/A	N/A	N/A

DIRECTOR EDUCATION

The Board has established a clear expectation that Directors will invest time in formal education to continue to update and expand their knowledge with the goal of providing continuation of good governance for the Credit Union. In 2016, there were a number of formal training sessions which the Directors attended either on-site in Prince Rupert or in other locations in order to access the courses which comprise the curriculum of the Credit Union Director Achievement program. The Credit Union supports the Director's education by paying for the course registration fees and reimbursing Directors for travel, accommodation, and meal costs associated with attending the courses (the amount of the reimbursements is included in the section titled Director compensation, benefits and reimbursement of expenses incurred).

During 2016 Directors attended courses held on-site in Prince Rupert or as part of educational conferences held by the credit union system in various locations in British Columbia and other provinces. In total, the Directors invested approximately 40 days in 2016 in formal education sessions to continue to enhance their ability to govern Northern Savings. The following includes courses attended by some (or all) of the Directors in 2016:

- Foundations of Governance - The 7 Modules
- Foundations of Governance in Theory & Action
- Strategy: Planning & Oversight
- Role of Audit Committee
- Governing Credit Risk
- Risk Oversight
- Board Development and Performance Evaluation
- Strategic Trends That Could Radically Change Your Business
- Do You Practice SMART Governance
- Human Resources Governance
- Financial Hot Buttons
- Thinking Governance - Breaking Habits
- Webinars covering subjects such as: Flag the Money for Directors, Anti-Money Laundering and Counter-Terrorist

The Credit Union Director Achievement (CUDA) program comprises three levels:

Level A - Foundations Of Governance

Level B - Governance In Action

Level C - Governance Applications

Directors are required to invest nine days to complete the full suite of courses included in the program. Even though a Director may have completed all three levels of the CUDA program, they are still required to invest 35 hours in professional development on an annual basis.

The following chart outlines the status of each Director in their completion of the CUDA program.

DIRECTOR	STATUS IN CUDA PROGRAM
S. Carlson	Has completed all three levels
M. Ciccone	Level A complete, Level B in progress, Level C in progress
R. Cox	Has completed all three levels
S. Crowley	Has completed all three levels
F. D'Angelo	Has completed all three levels
J. Lebell	Level A complete, Level B in progress, Level C in progress
T. Moraes	Level A complete, Level B in progress, Level C in progress
K. Mushynsky	Has completed all three levels
E. Newton	Has completed all three levels
A. Peltier	Has completed all three levels

In 2016, Director Carlson completed the CUDA program and continued onto write the optional examination. He was successful on the examination and received the Accredited Canadian Credit Union Director (ACCUD) designation.

DIRECTOR COMPENSATION, BENEFITS AND REIMBURSEMENT OF EXPENSES INCURRED

Northern Savings' Directors receive compensation for the fulfillment of their duties as a Board member and they receive reimbursement of expenses incurred to perform the duties. The following principles are used to determine compensation for Northern Savings' Directors:

- Compensation will reflect demands placed on the Directors in their accountability to an organization with the operations, complexity and size of Northern Savings
- The amount of compensation will be set in relation to the credit union sector
- The compensation will be affordable for Northern Savings
- The compensation will be determined using an objective process
- The administrative process for compensation will not be unduly burdensome on staff to maintain

Directors are paid an annual honorarium with no additional amounts for attendance at meetings. The following amounts are paid as compensation to the people fulfilling the positions listed:

Director	\$6,000 annually
Board Chair	Additional \$4,000 annually
Vice Chair	Additional \$1,500 annually
Committee Chair	Additional \$1,500 annually

Northern Savings also provides life insurance, accidental death and dismemberment coverage, as well as Director and officer liability coverage for each Board Member. In 2016, the premium cost for the life insurance and accidental death and dismemberment coverage was \$3,181. The Credit Union is also required to contribute towards the Canada Pension Plan given the honourarium paid to the Directors; in 2016, this amounted to \$2,310.

It is recognized that Directors will incur expenses in the conduct of their duties and Directors are reimbursed for reasonable expenses incurred. Directors are expected to exercise discretion and good judgement in determining what is a reasonable and proper expense to be incurred on behalf of Northern Savings. Directors are expected to demonstrate a good example for use of corporate resources. It is recognized that Directors may be employed in situations where they are compensated by an hourly or daily rate only if they are present at their employer's site and therefore lose income when attending required events such as Board meetings, Committee meetings, strategic planning and training sessions; in these situations, the Director can submit a claim for wage-loss, the amount is actual lost income with pro-rata amounts applied for portions of a day but to a maximum of \$2,000 annually. The purpose of this provision is to not disadvantage a Northern Savings member in taking on the role of a Director.

Generally, Northern Savings covers expenses incurred by Directors for:

- Registration fees for education sessions
- Costs when travelling at the request of Northern Savings, when attending community events at Northern Savings' request, as well as attending meetings with business partners within the credit union system, Board meetings, and training sessions. Out-of-pocket costs include transportation (airfare, ferries, mileage), as well as meals and accommodation if the meeting is out-of-town and extends for a day or if travel to home is not practical on same day
- Reasonable costs for entertaining when attendance at the event/meeting is at the request of Northern Savings
- Technology expenses given the requirement for Directors to receive large amounts of information in electronic form

The following chart provides details of the compensation earned by the Directors in 2016 for the fulfillment of their assigned responsibilities and items reimbursed to each Director for expenses incurred and lost wage claims. The Directors did not spend the full budget for expenses for meetings and education. The actual spent was \$67,086 out of the budget of \$68,400.

<i>Director Compensation and Description of 2016 Expenses</i>	<i>Compensation Earned</i>	<i>Total Expenses Reimbursed</i>
<p>S. Carlson Chair of a Board Committee Expenses include: registration fees for education sessions, transportation costs and accommodations for attending out of town education sessions and regional credit union sector meetings</p>	\$7,231	\$4,896
<p>M. Ciccone Expenses include: registration fees and out of town travel for education sessions</p>	\$3,933	\$3,839
<p>R. Cox Vice Chair of Board of Directors and Chair of a Board Committee from May - December Expenses include: registration fees for education session, transportation costs and accommodations for attending out of town education sessions, regional credit union sector meetings, and Board meetings</p>	\$8,063	\$7,198
<p>S. Crowley Vice Chair of Board of Directors and Chair of a Board Committee from January to April Expenses include: registration fees for education session, transportation costs and accommodations for attending out of town education sessions, regional credit union sector meetings</p>	\$6,706	\$3,827
<p>F. D'Angelo Chair of Board Expenses include: registration fees for education session, transportation costs and accommodations for attending out of town education sessions, regional credit union sector meetings, and meeting with the regulator</p>	\$9,670	\$11,020
<p>J. Lebell Expenses include registration fees for education sessions and travel costs to Board meetings and out of town education sessions</p>	\$3,933	\$5,680

<i>Director Compensation and Description of 2016 Expenses</i>	<i>Compensation Earned</i>	<i>Total Expenses Reimbursed</i>
<p>T. Moraes</p> <p>Expenses include transportation costs and accommodations for attending Board meetings as Trent is required to commute from his home in Queen Charlotte to the location of Board meetings in Prince Rupert</p>	\$5,203	\$242
<p>K. Mushynsky</p> <p>Expenses include transportation costs and accommodations for attending out of town education sessions and for attending Board meetings as Kim is required to commute from her home in Masset to the location of Board meetings in Prince Rupert and regional credit union sector meetings</p>	\$6,096	\$10,109
<p>E. Newton</p> <p>Chair of a Board Committee</p> <p>Expenses include registration fees for education sessions, transportation costs and accommodations for attending out of town education sessions</p>	\$7,615	\$7,941
<p>A. Peltier</p> <p>Chair of a Board Committee</p> <p>Expenses include registration fees for education session, transportation costs and accommodations for attending out of town education sessions, travel costs to Board meetings</p>	\$7,231	\$5,776
RETIRED DIRECTORS		
<p>L. Hope</p> <p>January – May 2016 (retired)</p> <p>Expenses include: registration fees for education session, transportation costs</p>	\$1,697	\$17
<p>D. Louis</p> <p>Resigned June 2016</p> <p>Expenses include transportation costs and accommodations for attending out of town education sessions and for attending Board meetings as Douglas is required to commute from his home in Queen Charlotte to the location of Board meetings in Prince Rupert</p>	\$517	\$1,491
<p>N. Parmar</p> <p>Expenses include registration fees for education session, transportation costs and accommodations for attending out of town education sessions, regional credit union sector meetings, travel costs to Board meetings</p>	\$1,618	\$1,900

INDEPENDENT OVERSIGHT FUNCTIONS

The Board receives information from two independent oversight functions – internal audit and external audit. The external auditors are appointed by the members of the Credit Union and the internal auditors are appointed by the Audit & Operational Risk Committee. The Audit & Operational Risk Committee oversees the work performed by both sets of auditors.

The internal auditors report directly to the Committee and have a working relationship with management. The mandate of the internal audit function is to evaluate adequacy of the system of internal control to achieve control objectives encompassing: safeguarding of assets and member's deposits; reliability of financial and management information and reporting; compliance with laws, regulations, policies, and contracts; and, effectiveness and efficiency of operations. The evaluation of the adequacy of the internal controls is conducted in relation to the inherent risk of the business and processes to the overall risk profile of the Credit Union.

The mandate of the external auditors is to audit the financial statements as prepared by management to determine if the information fairly presents the financial position of the Credit Union at December 31, 2016 and the financial results for the year. The responsibility of the external auditors is to express an opinion on the financial statements based on the results of the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The report from the external auditors can be found in the financial statement section of the annual report.

COMPENSATION FOR CHIEF EXECUTIVE OFFICER (CEO)

The Board has set a general philosophy regarding compensation for staff. The Board directs that compensation for staff be set to allow Northern Savings to attract, motivate and retain personnel with the competencies and attributes required to meet the Credit Union's strategies and business objectives. In so doing, salary ranges and benefits will strive to ensure internal equity and be externally competitive with the local community and other financial services providers of like size and complexity to Northern Savings. The compensation plans must be financially affordable for Northern Savings in the short-term and long-term.

The Board has set further policy guidelines with respect to the compensation of the CEO. The Board has directed that the CEO's compensation be established in light of the position responsibilities, the size and complexity of the Credit Union, the performance and experience level of the person in the position, the financial resources of the Credit Union, and the analysis of information gathered including a review of data on full compensation packages of CEOs at comparable organizations. In 2016, the CEO's base salary was set at \$225,000.

In 2016, the compensation package for the CEO included the provision for an annual bonus (or short term incentive) to a maximum of 10% of the base salary of the position. The basis for the bonus is determined by the Board and is related to the CEO's performance on objectives and

the Credit Union's performance. A bonus is only to be paid to the CEO when performance by Northern Savings is satisfactory and the CEO's performance is satisfactory or exceeds expectations on the objectives set by the Board.

The CEO participates in the employee benefit plan covering medical, extended health, dental care, life insurance, accidental death and dismemberment, short-term disability, and long-term disability. The CEO is provided with a benefit of 14% of the base salary for contributions to post retirement plans. The employment agreement with the CEO provided for a payment on departure from the Credit Union.

During 2016, the CEO position was filled by three people: Barry Delaney for the period January 1 to February 28, Fay Booker for March 1 to April 30 and then again from October 7 to December 31, and Geoff Grodecki from May 2 to October 6, 2016.

Mr. Delaney had been engaged in 2015 as the Interim CEO under a contract for a four month period which was continued for an additional two months in 2016. The compensation arrangement for Mr. Delaney consisted of a payment of \$22,500 for six weeks in January and February 2016, plus an allowance for housing.

In late 2015, the Board of Directors initiated a search process for a permanent CEO. A selection committee was established comprising five directors. An advertisement was placed in local media and on the website for careers at credit unions (www.creditunioncareers.ca). Applications were received, and three levels of interviews were conducted. The interviews were conducted by phone, by Skype, and on-site in Prince Rupert. In February 2016, the Board announced the hiring of Mr. Grodecki with his start date in early May. In October 2016, Mr. Grodecki decided to return to his home in Saskatchewan.

To bridge the gap from the departure of Mr. Delaney and before the new permanent CEO could begin the position, the Board appointed Fay Booker as the Transition Coordinator. During that time, Ms. Booker was paid \$20,000 per month in that role and provided with accommodation. On appointment as Interim CEO in October 2016, Ms. Booker is being compensated at \$25,000 per month and provided with accommodation. She receives no medical, dental, or pension benefits and no vacation benefits.

The base compensation, bonus amounts, and cost of other benefits for persons who served in a leadership position in 2016 were as follows:

<i>Person in CEO Role</i>	<i>Base Compensation</i>	<i>Bonus</i>	<i>Other Payments</i>
Barry Delaney, January 1 to February 28	\$22,500	\$0	\$3,200 ¹
Geoff Grodecki, May 2 to October 6	\$97,589	\$0	\$141,504 ²
Fay Booker	\$115,000	\$0	\$10,208 ³

¹ This amount covered accommodation for the months of January and February 2016.

² This amount covered an education course attended, health and dental benefits, pension, and payment on departure from the Credit Union.

³ This amount covered accommodation for the months of March, April, October, November, and December.

SENIOR MANAGEMENT

The senior management team works together to deliver services to members, to provide a positive work environment for staff, and to oversee the performance of the Credit Union. The senior management team works with the Board of Directors to develop the Credit Union's strategic direction and management develops plans to implement the direction. Senior management is responsible for coaching and monitoring the activities of staff to deliver products and services to members and to meet regulatory requirements.

The following pictorial shows as of December 31, 2016 the organizational chart for the CEO and the positions which report directly to the CEO.

ORGANIZATIONAL STRUCTURE

