

Governance  
Accountability  
Report 2018



**NORTHERN SAVINGS**  
CREDIT UNION

## INTRODUCTION

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

## RULES

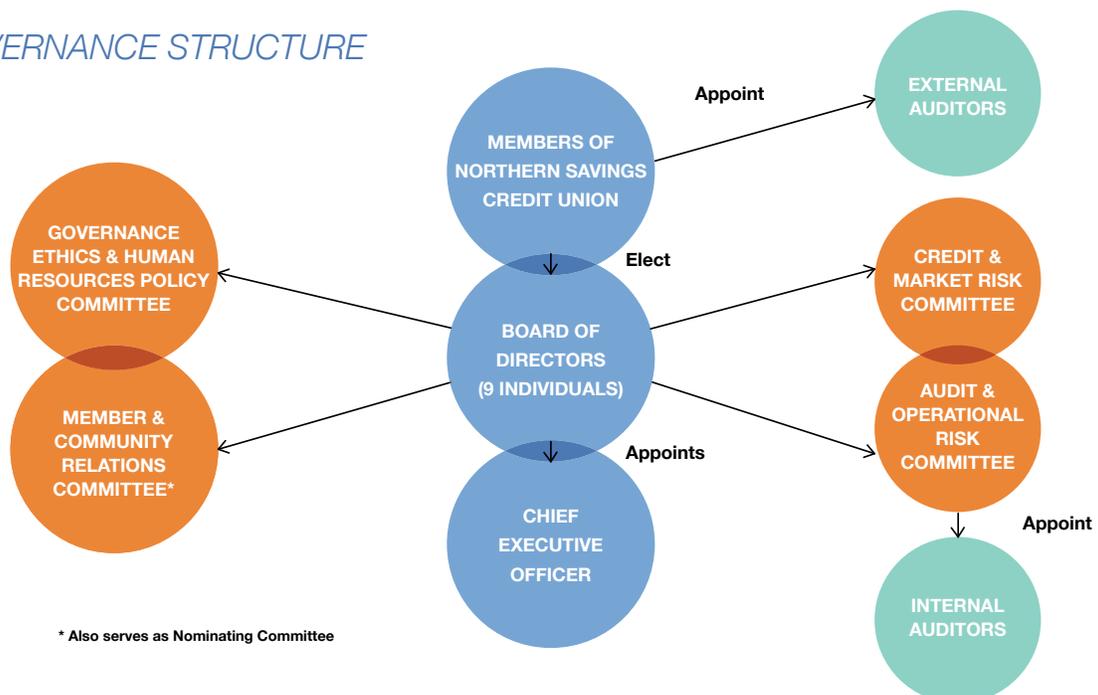
Northern Savings and its Board must follow the guidelines stated within the Credit Union’s rules which were approved by the members on May 10, 2017. The rules provide guidelines on the following:

1. Membership
2. Deposits
3. Shares
4. Borrowing and Lending
5. Qualifications and Election of Directors
6. Duties, Powers and Proceedings of the Directors
7. Removal of Directors
8. Indemnification of Directors and Officers
9. General Meetings
10. Special Resolutions
11. Seal
12. Alteration
13. Miscellaneous

Members can find the full contents of the rules at [www.northsave.com/AboutUs/WhoWeAre/Governance](http://www.northsave.com/AboutUs/WhoWeAre/Governance)

## THE GOVERNANCE FRAMEWORK

### GOVERNANCE STRUCTURE



## BOARD OF DIRECTORS

The current rules of the Credit Union provide for nine Directors on the Board with one (1) from the Haida Gwaii North district, one (1) from the Haida Gwaii South district, one (1) from the Terrace and surrounding area district and one (1) from the Prince Rupert and surrounding area district. Other Directors are referred to as Directors-at-Large and can be from any location in British Columbia as long as they are members in good standing with the Credit Union. 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 authority 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.

## **BOARD COMMITTEES**

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. 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 meetings annually for each Board committee. 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. This Committee serves as the Conduct Review Committee specified by the Financial Institutions Act.

The Committee is also 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 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.

## **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, various meetings at the regional and provincial levels and membership meetings.

Given the complex nature of the financial services business, each Director is provided with a considerable amount of material related to the business and directly to the affairs of the Credit Union. Directors must understand the financial services sector and stay current on the Credit Union's operations. Being informed 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.

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 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.

## **THE CURRENT DIRECTORS**

The Directors (in alphabetical order) who were in office in 2018 are listed on the following page. 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.



## **MIMMO CICCONE**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Chair, Board of Directors: September 12 – December 31, 2018

Chair, Audit & Operational Risk Committee: May 9 – September 12, 2018

Member, Governance, Ethics & Human Resources Policy Committee: May 9 – December 31, 2018

Member, Member & Community Relations Committee (Nominating Committee): January 1 – December 31, 2018

**DIRECTOR SINCE:** 2016

**CURRENT TERM EXPIRES:** 2020

### **BACKGROUND/EXPERIENCE:**

Mimmo is a manager with the Ministry of Solicitor General providing counselling, case management and risk assessment services to court-ordered offenders. He provides general and specialized individual, group and family counselling. Mimmo provides consultation to probation officers, social workers, community agencies and care-givers who are involved in service provision to offenders.

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## **RODNEY COX**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Chair, Board of Directors: May 9 – September 12, 2018

Vice Chair, Board of Directors: January 1 – May 9, 2018

Chair, Governance, Ethics & Human Resources Policy Committee: January 1 – May 9, 2018

Chair, Credit & Market Risk Committee: September 26 – December 31, 2018

Member, Governance, Ethics & Human Resources Policy Committee: May 9 - December 31, 2018

Member, Credit & Market Risk Committee: January 1 – May 9, 2018

**DIRECTOR SINCE:** 2015

**CURRENT TERM EXPIRES:** 2020

### **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 and Terrace Chamber of Commerce, United Way Northern BC, and the Institute of Professional Bookkeepers of Canada. Rodney currently operates CFR Management Inc.

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## **SUSAN CROWLEY**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Chair, Member & Community Relations Committee: September 26 – December 31, 2018

Member, Member & Community Relations Committee: January 1 – September 26, 2018

Member, Credit & Market Risk Committee: January 1 – September 26, 2018

Member, Audit & Operational Risk Committee: May 9 – December 31, 2018

**DIRECTOR SINCE:** 2013

**CURRENT TERM EXPIRES:** 2019

### **BACKGROUND/EXPERIENCE:**

Susan is a retired teacher who spent much of her career in Prince Rupert. She has also taught internationally in Australia and Namibia. She has also worked in positions for Elections Canada and Elections BC. Susan taught Early Childhood Education courses for the First Nations Training and Education Centre in Prince Rupert.



## **IAIN CULLEN**

### **BOARD POSITION AS OF DECEMBER 31, 2018:**

Member, Audit & Operational Risk Committee: May 9 – December 31, 2018

Member, Credit & Market Risk Committee: September 12 – December 31, 2018

**DIRECTOR SINCE:** May 9, 2018

**CURRENT TERM EXPIRES:** 2019

### **BACKGROUND/EXPERIENCE:**

Iain is a former long-time retail business owner in Prince Rupert. Iain, though retired from his business, continues to provide his services on the executive of the Prince Rupert Golf Society.

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## **FLORA D'ANGELO**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Chair, Board of Directors: January 1 – May 9, 2018

Chair, Audit & Operational Risk Committee: September 12 – December 31, 2018

Member, Governance, Ethics & Human Resources Policy Committee: January 1 – May 9, 2018

Member, Credit & Market Risk Committee: September 12 – September 26, 2018

Member, Member & Community Relations Committee: May 9 – December 31, 2018

**DIRECTOR SINCE:** 2007

**CURRENT TERM EXPIRES:** 2019

### **BACKGROUND/EXPERIENCE:**

Flora has been a principal, literacy support teacher and classroom teacher in the Northwest for over 30 years. She has been an educator at the elementary, secondary and adult levels.

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## **JAMIE MALTHUS**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Member, Member & Community Relations Committee: May 9 – December 31, 2018

Member, Credit & Market Risk Committee: May 9 – December 31, 2018

**DIRECTOR SINCE:** May 9, 2018

**CURRENT TERM EXPIRES:** 2021

### **BACKGROUND/EXPERIENCE:**

Jamie is a professional engineer with the Port of Prince Rupert and holds six years of management level experience. He holds degrees in the fields of Civil Engineering and Geoscience. Jamie also volunteers with the Royal Canadian Marine Search & Rescue Society and the Prince Rupert Curling Club.



## **TRENT MORAES**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Chair, Member & Community Relations Committee: January 1 – September 12, 2018

Member, Audit & Operational Risk Committee: September 12 – December 31, 2018

Member, Governance, Ethics & Human Resources Policy Committee:

January 1 – December 31, 2018

**DIRECTOR SINCE:** 2013

**CURRENT TERM EXPIRES:** 2019

### **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. His work has mainly been in housing and infrastructure, but he has also worked in lands and economic development, energy, Band membership, and estates.

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## **KIM MUSHYNSKY**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Vice Chair, Board of Directors: September 12 – December 31, 2018

Chair, Governance, Ethics & Human Resources Policy Committee: September 12 – December 31, 2018

Chair, Audit & Operational Risk Committee: January 1 – September 12, 2018

Chair, Credit & Market Risk Committee: May 9 – September 26, 2018

Member, Credit & Market Risk Committee: February 1, 2018 – May 9, 2018

**DIRECTOR SINCE:** 2015

**CURRENT TERM EXPIRES:** 2021

### **BACKGROUND/EXPERIENCE:**

Kim is the former Chief Administrator for the Village of Port Clements. Kim has over 30 years of experience as an Administrator, specifically in 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 a degree in Municipal Government Management. Kim serves on the Executive for the Northline group of credit unions.

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## **ERIN NEWTON**

### **BOARD POSITIONS AS OF DECEMBER 2018:**

Vice Chair, Board of Directors: May 12 – September 12, 2018

Chair, Governance, Ethics & Human Resources Policy Committee: January 1 – May 9, 2018

Member, Member & Community Relationship Committee: September 12 – December 31, 2018

Member, Audit & Operational Risk Committee: January 1 – May 9, 2018

**DIRECTOR SINCE:** 2015

**CURRENT TERM EXPIRES:** 2021 (stepping down in 2019)

### **BACKGROUND/EXPERIENCE:**

Erin currently operates Northern Laboratories (2010) Ltd. located in Prince Rupert. The business serves government authorities, industry, businesses, consultant and private individuals from Haida Gwaii to Prince George and from Kemano to the Yukon border. Erin has a Bachelor of Business Administration and has previous experience in the accounting profession.

## NOTE

Sean Carlson and Anne Peltier served as Directors until the Annual General Meeting of May 9, 2018.

Anne Peltier served on the Board from April 2012 until May 9, 2018 and Sean Carlson served on the Board from April 2014 until May 9, 2018. While on the Board, both directors served as Chairs of various Board Committees.

## DIRECTOR ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

The following chart presents the attendance record for each Director at Board and standing committee meetings.

The chart shows the attendance percentage of applicable meetings attended by the Director during the period January 1 to December 31, 2018. During 2018, 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>Audit &amp; Operational Risk</i> | <i>Credit &amp; Market Risk</i> | <i>Governance Ethics &amp; Human Resources</i> | <i>Member &amp; Community Relations</i> | <i>CEO Selection Committee</i> | <i>TOTAL</i> |
|--|-----------------------|-------------------------------------|---------------------------------|--|---|--------------------------------|--------------|
| <b>Mimmo Ciccone</b>                       | 13/13                 | 1/1                                 | n/a                             | 7/7  | 11/11                                   | 6/6                            | 38/38        |
| <b>Rodney Cox</b>                          | 13/13                 | n/a                                 | 4/4                             | 7/7  | 1/1                                     | 6/6                            | 31/31        |
| <b>Susan Crowley</b>                       | 13/13                 | 2/2                                 | 2/2                             | n/a  | 12/14                                   | n/a                            | 29/31        |
| <b>Iain Cullen</b>                         | 7/7                   | 2/2                                 | 1/1                             | n/a  | n/a                                     | n/a                            | 10/10        |
| <b>Flora D'Angelo</b>                      | 12/13                 | 0/1                                 | 1/1                             | 2/2  | 2/3                                     | n/a                            | 17/20        |
| <b>Trent Moraes</b>                        | 8/13                  | 1/1                                 | n/a                             | 6/7  | 10/11                                   | n/a                            | 25/32        |
| <b>Jamie Malthus</b>                       | 7/7                   | n/a                                 | 2/2                             | n/a  | 5/5                                     | n/a                            | 14/14        |
| <b>Kim Mushynsky</b>                       | 11/13                 | 5/5                                 | 4/4                             | 4/4  | n/a                                     | 6/6                            | 30/32        |
| <b>Erin Newton</b>                         | 13/13                 | 4/4                                 | n/a                             | 2/2  | 3/3                                     | n/a                            | 22/22        |
| <i>Directors: January 1 to May 9, 2018</i> |                       |                                     |                                 |  |   |                                |              |
| <b>Sean Carlson</b>                        | 4/5                   | 4/4                                 | 2/2                             | n/a  | n/a                                     | n/a                            | 10/11        |
| <b>Anne Peltier</b>                        | 5/5                   | 4/4                                 | n/a                             | n/a  | 8/9                                     | n/a                            | 17/18        |

While most Directors sit on two Board Committees, the Board Chair is only required to sit on the one committee being the Governance, Ethics & Human Resources Policy Committee. However, the Board Chair does attend other committee meetings to be apprised of their work.

## **DIRECTOR EDUCATION**

The Board has established an 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 2018, Directors attended formal education sessions which are included in the curriculum of the Credit Union Director Achievement program, including a continuous education element. 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 and Description of 2018 Expenses).

During 2018, Directors attended courses and webinars held locally 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 223 hours in formal education sessions to continue to enhance their ability to govern Northern Savings.

Below are the courses that some/all of the Directors completed in 2018:

- Foundations of Governance (six modules)
- Foundation of Governance in Theory and Action
- Governance Training
- Energy Management
- Business Decision Making
- Governing IT – The Directors Role
- The DNA of a Top Performing Credit Union Director
- Role of the Audit Committee
- Securitization Demystified
- Anti-Money Laundering
- Building a Business Case
- Maintaining a Healthy Organization
- Strategy Planning and Oversight
- Flag the Money for Directors 2018
- A Directors Roles and Responsibilities
- Banking Cannabis for Board of Directors

The Credit Union Director Achievement program comprises the following 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. Due to extenuating circumstances and the cancellation of pre-arranged educational sessions, not all directors were able to meet their mandatory annual requirement.

The following chart outlines the status of each Director in their completion of the CUDA Program:

| DIRECTOR            | STATUS IN CUDA PROGRAM                            |
|---------------------|---|
| <b>M. Ciccone</b>   | Has completed all three levels                    |
| <b>R. Cox</b>       | Has completed all three levels                    |
| <b>S. Crowley</b>   | Has completed all three levels                    |
| <b>I. Cullen</b>    | Level A in progress                               |
| <b>F. D’Angelo</b>  | Has completed all three levels                    |
| <b>T. Moraes</b>    | Has completed Level A. Levels B and C in progress |
| <b>J. Malthus</b>   | Has completed Level A. Levels B and C in progress |
| <b>K. Mushynsky</b> | Has completed all three levels                    |
| <b>E. Newton</b>    | Has completed all three levels                    |

**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. 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.

Policy requires that the Director’s compensation schedule be set for a three-year period. The policy was reviewed in December 2017 for its continued appropriateness given the evolving responsibilities of the Directors, and a new compensation schedule took effect on May 9, 2018.

|                 |                             |
|-----------------|-----------------------------|
| Director        | \$7,000 annually            |
| Board Chair     | Additional \$4,000 annually |
| Vice Chair      | Additional \$500 annually   |
| Committee Chair | Additional \$1,500 annually |

Northern Savings also provides life insurance, accidental death and dismemberment coverage for each Board Member. In 2018, the premium cost for the life insurance and accidental death and dismemberment coverage was \$3,367. The Credit Union is also required to contribute towards the Canada Pension Plan given the honourarium paid to the Directors; in 2018, this amounted to \$2,240.

It is understood 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 sessions, 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, 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. Regional credit union sector meetings in 2018 were held in Smithers and Prince George.
- 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 information on the compensation earned by the Directors in 2018 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 incurred for meetings and education. The actual spent was \$44,810 out of a budget of \$109,000.

| Director Compensation and<br>Description of 2018 Expenses  | Compensation<br>Earned | Total Expenses<br>Reimbursed |
|--|------------------------|------------------------------|
| <p><b>Mimmo Ciccone</b></p> <p>Board Chair September 12 – December 31, 2018</p> <p>Chair of Audit &amp; Operational Risk Committee May 9 – September 2018</p> <p>Expenses include: registration fees, accommodation and transportation costs for attending education sessions in Vancouver.</p>  | <b>\$9,310</b>         | <b>\$2,153</b>               |
| <p><b>Rodney Cox</b></p> <p>Board Chair May 9 – September 12, 2018</p> <p>Vice Chair January 1 – May 9, 2018</p> <p>Chair of Governance, Ethics &amp; Human Resources Policy Committee January 1 – May 9, 2018</p> <p>Chair of Credit &amp; Market Risk Committee September 26 – December 31, 2018</p> <p>Expenses include: registration fees, accommodation and transportation costs for attending education sessions in Vancouver, transportation/accommodation costs to attend Board meetings in Prince Rupert, and for attending out-of-town credit union sector meetings in Smithers and Toronto.</p> | <b>\$8,617</b>         | <b>\$7,643</b>               |
| <p><b>Susan Crowley</b></p> <p>Chair of Member &amp; Community Relations Committee September 12 – December 31, 2018</p> <p>Expenses include: accommodation and transportation for attending out-of-town credit union sector meetings.</p>  | <b>\$6,642</b>         | <b>\$4,419</b>               |
| <p><b>Iain Cullen</b></p> <p>Newly appointed to Board May 9 – December 31, 2018</p> <p>Expenses include: registration fees for educational sessions.</p>   | <b>\$4,392</b>         | <b>\$ 894</b>                |
| <p><b>Flora D'Angelo</b></p> <p>Board Chair January 1 - May 9, 2018</p> <p>Chair of Audit &amp; Operational Risk Committee September 12 – December 31, 2018</p> <p>Expenses include: accommodation and transportation for attending out-of-town credit union sector meetings.</p>  | <b>\$8,075</b>         | <b>\$6,037</b>               |

| Director Compensation and<br>Description of 2018 Expenses   | Compensation<br>Earned | Total Expenses<br>Reimbursed |
|---|------------------------|------------------------------|
| <p><b>Jamie Malthus</b><br/>Newly acclaimed to the Board May 9 – December 31, 2018<br/>Expenses include: registration fees, accommodation and transportation costs for attending education sessions in Vancouver.</p>   | <b>\$4,492</b>         | <b>\$3,718</b>               |
| <p><b>Trent Moraes</b><br/>Chair of Member &amp; Community Relations Committee<br/>January 1 – September 12, 2018<br/>Expenses include: registration fees for education sessions.</p>   | <b>\$8,142</b>         | <b>\$633</b>                 |
| <p><b>Kim Mushynsky</b><br/>Vice Chair September 12 – December 31, 2018<br/>Chair of Governance, Ethics &amp; Human Resources Policy Committee September 12 – December 31, 2018<br/>Chair of Credit &amp; Market Risk Committee May 9 – September 26, 2018<br/>Expenses include: accommodation and transportation costs from Masset to attend Board meetings in Prince Rupert. Attending out-of-town education sessions and credit union sector meetings.</p> | <b>\$8,350</b>         | <b>\$5,849</b>               |
| <p><b>Erin Newton</b><br/>Vice Chair May 12 – September 12, 2018<br/>Chair of Governance, Ethics &amp; Human Resources Policy Committee May 9 – September 12, 2018<br/>Expenses include: registration fees for education session.</p>   | <b>\$8,350</b>         | <b>\$473</b>                 |
| <p><b>Sean Carlson: January 1 – May 9, 2018</b><br/>Chair of Credit &amp; Market Risk Committee January 1 – May 9, 2018</p>   | <b>\$2,687</b>         | <b>\$0</b>                   |
| <p><b>Anne Peltier: January 1 – May 9, 2018</b><br/>Expenses include: registration fees for education session, accommodation and transportation costs for travelling from Terrace to attend Board meetings in Prince Rupert.</p>  | <b>\$2,150</b>         | <b>\$1,094</b>               |

## **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, 2018 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.

## **EXECUTIVE COMPENSATION**

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 doing so, salary ranges and benefits will strive to provide for 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. Northern Savings supported a staff of 145 people in 2018.

The Board has set policy guidelines with respect to the compensation of the Chief Executive Officer. It is established around 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 compensation packages of CEOs at comparable organizations. The incentive program for the CEO is consistent with the employees which is 4% of base salary. The basis for the bonus is determined by the Board and is related to the CEO's personal performance on objectives and the Credit Union's progress on strategy as well as financial and operational performance. A bonus is 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 7% of the base salary for contributions to post retirement plans.

In 2018, two individuals served in the CEO position, Ms. Fay Booker from January 1 until early September and Mr. Bill Snell from September to December.

In accordance with Northern Savings set philosophy regarding compensation for Key Personnel (CEO, Interim CEO, Executive, Senior Management and Contractors), and in keeping within the salary guidelines provided by Central 1 and those within the credit union system, \$2,587,231 was paid to Key Personnel in 2018.

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

This information is being provided in accordance with the Credit Union Incorporation Act Regulation.

NOTES



**NORTHERN SAVINGS**  
CREDIT UNION

## Locations

### CORPORATE OFFICE

138 3rd Avenue West  
Prince Rupert, BC

### PERSONAL & BUSINESS FINANCIAL SERVICES, FINANCIAL PLANNING & WELLNESS

#### Masset Branch

1663 Main Street  
Masset, BC

#### Prince Rupert Branch

138 3rd Avenue West  
Prince Rupert, BC

#### Queen Charlotte Branch

110 Causeway Street  
Queen Charlotte, BC

#### Terrace Branch

4660 Lazelle Avenue  
Terrace, BC

### INSURANCE SERVICES

#### Masset

1663 Main Street  
Masset, BC

#### Prince Rupert Branch

138 3rd Avenue West  
Prince Rupert, BC

#### Queen Charlotte

106 Causeway Street  
Queen Charlotte, BC

#### Terrace Branch

4660 Lazelle Avenue  
Terrace, BC



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