



CORPORATE GOVERNANCE REPORT FROM THE BOARD OF DIRECTORS

Coastal Community Credit Union’s (CCCU) Board of Directors continues to be committed to the highest standards of Corporate Governance in order to demonstrate our stewardship to Members, employees and the communities we serve. Good governance is essential to the effective operation of CCCU and its ongoing success.

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Corporate Governance Framework

Directors have a responsibility to our membership, our employees and our communities to maintain the balance between economic and social goals and between individual and collective goals. The corporate governance framework mandates the efficient use of limited resources and accountability for the stewardship of those resources by the Board of Directors.

The term “corporate governance” has come to mean many things. In our Credit Union, it describes:

- the processes by which the Board of Directors direct and control the Credit Union,
 - the processes and procedures by which the Credit Union complies with legislative and regulatory requirements, and
 - the processes by which fiduciary responsibilities are carried out on behalf of the Credit Union’s membership.
- For greater clarity, board fiduciary duties are described as including:
- **Duty of Care:**
Discharge of duties in good faith, in a manner that is in the best interest of the credit union. Devoting the resources to understand and oversee the affairs of the credit union.
 - **Duty of Loyalty:**
Requires the director to set aside personal or conflicting interest and act solely in the best interest of the credit union when making a decision or acting on behalf of the credit union.
 - **Duty of Obedience:**
Requires the director to obey all laws and regulations pertaining to the credit union and act in furtherance of the credit union purpose.

The corporate governance framework details the processes and procedures for making decisions on Credit Union affairs. It also provides the structure through which the Board of Directors set

objectives, as well as the means of attaining and monitoring the achievement of those objectives. The corporate governance framework encompasses the principles of fiduciary duty and accountability.

Principles of Corporate Governance

The Board of Directors has established a number of principles to guide corporate governance policies and procedures. These principles will provide direction as corporate governance policies and procedures are refined and developed, and as the Credit Union and the Board of Directors evolves and develops. These principles are as follows:

1. **Accountability** – we are accountable to our members for our actions, decisions and behaviour.
2. **Communications** – we are committed to timely, open and respectful communication as it is paramount to the effective operation of our team.
3. **Contribution** – we are each committed to making a constructive contribution to the Board of Directors and the Credit Union, and are recognized for our contribution through our remuneration.
4. **Diligence** – we are conscientious in carrying out our responsibilities and exercise a high standard of care and attention in recognition of the important role that our members have entrusted in us.
5. **Equality** – we will have equal access to the information, tools, and training necessary for each of us to excel as a Director.
6. **One Voice** – we believe the strength of a Board of Directors and the quality of decisions come from the sharing and expression of diverse views and opinions; however, once the Board of Directors makes a decision, the Board of Directors speaks with one voice outside the boardroom.
7. **Partnership** – we work together with our President & Chief Executive Officer, Corporate Secretary and management team in governing and leading the Credit Union each with our own distinct, but complementary roles.
8. **Prudence** – we exercise prudence in all that we do and always act in the best interests of the Credit Union and our members.
9. **Representation** – we represent the collective interests of our members, not any individual or group of members.
10. **Responsibility and Initiative** – we take personal responsibility and initiative as individuals for our learning and development and for acquiring and sharing information with the Board of Directors.

Board Mandate

The Board of Directors is expected to act in a fiduciary manner that protects and enhances the value of the Credit Union in the interest of all its Members and stakeholders by overseeing the management of the organization. The Board carries out its stewardship and oversight responsibilities by:

- Succession Planning - selecting the President and Chief Executive Officer to lead the organization,
- Strategic Planning - approving the organization's strategic direction including performance measures,
- Annual Planning - ensures adequate resources are in place (financial and human),
- On-Going Monitoring - overseeing how management operates the organization as it seeks to



fulfill its strategies, goals and objectives,

- Internal Controls & Policy – establish standards of business conduct and ethical behavior and ensure policies, controls and compliance are in place to ensure that regulatory and statutory requirements are being met,
- Risk Management - ongoing monitoring of enterprise-wide risk management standards of both governance and management, and
- Communications – ensure the Credit Union communicates effectively to members, employees, regulators and other stakeholders.

The Board of Directors undertakes their collective responsibilities through the creation of vision, purpose, values, principles and policies to guide the development and execution of corporate strategy. The Board of Directors derives authority as a group, not as individual Directors. An individual Director has no legal authority to act on behalf of the Credit Union except when the authority and responsibility for a specific task has been delegated by the Board of Directors.

Corporate governance practices, policies and standards are regularly reviewed in light of recent industry developments for continuous improvements, which strengthen the ability of the Board to fulfill its mandate.

Board Composition

In accordance with our Rules, the Board is currently comprised of 11 Directors, with each Director elected for a three-year term. Directors are elected by democratic process where members vote in accordance to our Rules to elect each Director by mail or electronic ballot, with the results being announced at the Annual General Meeting. The Nominations Committee has oversight responsibility for Director nominations and election of Directors in accordance with the Credit Union Rules.

Responsibilities of the Board of Directors

The functions and responsibilities of the Board of Directors pertain to the Board as a whole, not to the functions and responsibilities of individual Directors. The voice of the Board of Directors will be through the Board Chair, not individual Directors, unless specifically delegated such authority by the Board of Directors.

The Board of Directors trusteeship function includes responsibility to:

- act on behalf of the members to safeguard their funds deposited in the Credit Union. This includes monitoring the President and Chief Executive Officer's stewardship over Credit Union operations, and arranging for the periodic audit and appraisal of the financial affairs of the Credit Union;
- ensure that the Credit Union operates within the law, including the *Credit Union Incorporation Act*, the *Financial Institutions Act and Regulations*, and applicable sections of the *Business Corporation Act (B.C.)*, and in accordance with the Credit Union's own Rules; and
- ensure that the Board of Directors observes and upholds the policies by which it determines it will conduct itself.

The Board of Directors perpetuation function includes responsibility to:

- ensure that a capable and qualified Board of Directors is perpetuated by the recruitment of suitable members for positions as Directors of the Board, and ensuring training is provided for new Directors; and
- select and evaluate the performance of the President and Chief Executive Officer.

The Board of Directors decision-making function includes responsibility to:

- define the purpose of the Credit Union, establish strategic objectives, and to formulate, approve and monitor the execution of general policies.



The Board of Directors review and monitoring function includes responsibility to:

- review, in conjunction with the President and Chief Executive Officer, strategic plans which will achieve the objectives;
- monitor, review, and evaluate adherence to annual budgets;
- monitor, review, and evaluate changes in capital structure and contingent liabilities;
- monitor, review, and appraise major individual projects and programs, significant changes in policy, changes in organization and structure, and lawsuits of a material nature; and
- monitor, review, and appraise adherence to policies and objectives.

The Board of Directors advisory function includes responsibility:

- to report to the membership, through the Board Chair, on the condition and progress of the Credit Union and to make recommendations on matters such as those related to changes in the Credit Union's Rules, structure of the organization, name changes, mergers and acquisitions; and
- to actively participate in the democratic structure of the Credit Union and co-operative industry and bring forward issues and concerns for the betterment of all Credit Unions and cooperatives.

The Board of Directors external/public leadership function includes the responsibility to:

- promote and defend, through the Board Chair, the Credit Union, the Board of Directors and the management of the Credit Union;
- enhance the image of the Credit Union by participating in and supporting worthwhile social and economic endeavours; and
- represent the Credit Union, through the Board Chair, in a manner consistent with the Credit Union's values.

More specific duties of the Board of Directors include the following to:

- require management to present strategic plans, business cases, business plans, budgets and policies to the Board of Directors for approval;
- seek out the professional opinion and advice of management;
- select legal counsel and other professionals;
- select the auditors;
- identify the Board of Directors needs and assure timely flow of requested information;
- direct Committees and review and approve the Terms of Reference of Committees;
- annually review Enterprise-Wide Risk Management (ERM)
- provide direction to the President and Chief Executive Officer through ad hoc or standing Committees of the Board of Directors on Credit Union objectives and philosophy;
- establish Board Committees and review Committee structure as required;
- receive reports and minutes of Committees;
- review and approve recommendations from Committees and management;
- approve the annual report, the annual audited financial statement and year-end capital adequacy return;
- delegate, subject to legislative restrictions, any or all of the foregoing duties; and
- establish and maintain Board and Director performance evaluations.

There are also written roles and responsibilities defined for the Board Chair, Vice Chair, Individual Directors, and Committee Chairs. The Board of Directors elects the Board Chair and Vice Chair

annually after the Annual General Meeting. Committees elect the Committee Chairs annually at their first meeting after the Annual General Meeting.

Board Internal Operations

The Board is also responsible for its own operations and effectiveness.

Meetings – In 2013 there were 10 monthly board meetings as well as two strategic planning sessions, an Enterprise-Wide Risk Management review meeting and Annual General Meeting. In-camera meetings are scheduled with every Board or Committee meetings, which is when the Board regularly meets without management present.

Ethical Conduct – In its oversight, the Board strives to ensure that the Credit Union maintains a high standard of ethical, moral and legal conduct in all business practices. The Board has approved a Code of Conduct and Conflict of Interest policy for directors and officers outlining the expected behaviours. Annually, each director and officer must sign a code of conduct and conflict of interest declaration.

On-going development – Each new director is provided an orientation for familiarization to the Credit Union and its operations. There are also a number of mandatory courses that all directors must complete when elected to the Board. Directors are encouraged to continue with professional development and education opportunities throughout their time on the board, given the governance, technical and financial industry changes that regularly occur. Funding is provided for continuous learning and development during their three-year term.

Assessments – The Board of Directors completes two assessment surveys on a biennial basis: a General Board Assessment and a Self-Evaluation, Peer Evaluation and Skills Evaluation Assessment. These assessments assist in determining and improving the effectiveness of the board's performance. The Board also completes an assessment of its governance practices on an annual basis.

Independent Advisors – The Board and each Committee have the authority to hire independent legal, financial or other advisors as they deem necessary.

Board Committees

The Board has regulatory and standing committees that are responsible for carrying out both legislated and delegated functions as described in each committee's Terms of Reference. All board committees are comprised of directors only and all directors are independent.

As per the FIA, the board elects the **Audit & Risk Committee**, the **Conduct Review & Corporate Governance Committee** and the **Investment & Lending Committee**. All other committees are appointed by the Board Chair following consultation with the Board of Directors. The committees meet regularly throughout the year and are required to provide regular and timely reports and recommendations to the Board of Directors. Each committee also follows an Annual Work Plan to confirm that all their duties and responsibilities have been met during the year. An overview of the Committee mandates is as follows:

Audit & Risk Committee

Assists the Board of Directors in fulfilling its financial reporting, internal controls, management information systems, capital requirements, enterprise-wide risk management, and compliance responsibilities, including responsibility for the internal and external audit engagements. The Audit and Risk Committee meets regularly with both the internal and external auditors without management present.

Conduct Review & Corporate Governance Committee

This is a combined committee that has two mandates:

Conduct Review – oversees the establishment of standards of business conduct and compliance with legislation and regulatory requirements regarding related party disclosure, conflict of interest, confidentiality, ethical reporting and privacy of personal information.

Corporate Governance – the primary role is to ensure that the Board of Directors provides for effective governance with respect to board composition, competency and oversight, as well as monitoring current, evolving governance best practices and, as necessary, oversee a review of the Credit Union Rules.

Investment & Lending Committee

Provides oversight of risk management activities related to investment risk, credit risk, liquidity risk, structural risk and capital management. This includes review of the policies, limits and reporting with respect to each of those risk areas. The Committee also includes one appointed member of management, as per the FIA requirement.

Human Resources & Compensation Committee

Reviews and makes recommendations on human resource matters including the compensation of the CEO and remuneration of the Board of Directors, and manages the process of evaluating the performance of the CEO. The Committee also reviews the CEO and executive succession plan and Human Resources policy.

Nominating & Community Involvement Committee

This is a combined committee that has two mandates:

Nominating – ensures that the Credit Union fulfills the process of electing persons to the Board of Directors consistent with legislative requirements and the Credit Union Rules. This includes monitoring communications and timelines as well as overseeing the voting process to ensure a high level of integrity is maintained.

Community Involvement – ensures the implementation and ongoing review of community investments, sponsorships, donations and employee volunteerism as well as corporate social responsibility.

Subsidiary Companies of Coastal Community Credit Union

Coastal Community Insurance Services (2007) Ltd. (“CCIS”) is a wholly owned subsidiary company of Coastal Community Credit Union and as such operates with its own Board of Directors and Officers (these individuals are listed on the last page of this report). CCIS is a general insurance provider. It has 15 offices across Vancouver Island and the Gulf Islands that offer a variety of insurance products such as: home, condo, tenant, auto, business, recreational vehicle, marine, and travel medical.

Coastal Community Financial Management Inc. (“CCFMI”) is a wholly owned subsidiary company of Coastal Community Credit Union and as such operates with its own Board of Directors and Officers (these individuals are listed on the last page of this report). Through its Financial Consultants, CCFMI provides financial planning and advice, and offers a variety of products such as: mutual funds, stocks and bonds (through Credential Securities Inc.) as well as life and health insurance.

For more information on the services of either CCIS or CCFMI, please visit www.cccu.ca.



Governing Legislation and Regulation

The Credit Union is established under legislation of the Province of British Columbia. It is regulated by the Financial Institutions Commission [FICOM] of British Columbia. Key legislation that regulates the operations of the Credit Union includes the *Financial Institutions Act* [FIA], the *Credit Union Incorporation Act* [CUIA] and applicable sections of the *Business Corporation Act (B.C.)*. It is a requirement of the legislation that the Credit Union provides to FICOM monthly, quarterly and annual reports and filings, and other such reports as may be requested.

Annual Disclosures

Director Remuneration

Remuneration for the Directors of the Credit Union is reviewed biennially (every 2 years) by the Human Resources and Compensation Committee, with any recommended changes put forward to the Board of Directors. Any changes are approved by the Board of Directors. Total combined remuneration paid to Directors in 2013 was \$335,495.88 compared to \$391,897.54 in 2012.

Director Attendance

The following is the record of attendance, by Director, for Board meetings, Committee meetings and subsidiary Board meetings in 2013:

Director's Name	Current Board / Committee / Subsidiary Role	Committees / Subsidiaries	Board Meetings*	Committee Meetings	Subsidiary Board Meetings
Susanne Jakobsen	<ul style="list-style-type: none"> Board Chair 	Attends all Committees as ex-officio: <ul style="list-style-type: none"> Audit & Risk Conduct Review & Corporate Governance Investment & Lending Human Resources & Compensation Nominating & Community Involvement Attends Subsidiary Board Meetings as ex-officio: <ul style="list-style-type: none"> Coastal Community Insurance Services (2007) Ltd. ("CCIS") Coastal Community Financial Management Inc. ("CCFMI") 	15/15	28/29	12/12
Evelyn Clark	<ul style="list-style-type: none"> Vice-Chair Chair, Human Resources & Compensation 	<ul style="list-style-type: none"> Human Resources & Compensation Investment & Lending 	15/15	14/14	---
Lynne Fraser	<ul style="list-style-type: none"> Chair, Audit & Risk Director, CCIS 	<ul style="list-style-type: none"> Audit & Risk Human Resources & Compensation CCFMI (Jan-May) CCIS (May-Dec) 	15/15	16/16	7/7
Cheryl Tellier	<ul style="list-style-type: none"> Chair, Conduct Review & Corporate Governance Director, CCFMI 	<ul style="list-style-type: none"> Investment & Lending (Jan-May) Conduct Review & Corporate Governance (May-Dec) Human Resources & Compensation CCFMI (May-Dec) 	14/15	14/14	3/3
Lorne Purchase	<ul style="list-style-type: none"> Chair, Investment & Lending 	<ul style="list-style-type: none"> Conduct Review & Corporate Governance (Jan-May) Investment & Lending Audit & Risk (May-Dec) CCIS (Jan-May) 	14/15	9/9	2/2
John Newall	<ul style="list-style-type: none"> Chair, Nominating & Community Involvement Chair, Coastal Community Financial Management Inc. 	<ul style="list-style-type: none"> Conduct Review & Corporate Governance (Jan-May) Human Resources & Compensation (Jan-May) Nominating & Community Involvement (May-Dec) CCFMI (May-Dec) 	15/15	8/8	3/3



Terry Law	<ul style="list-style-type: none"> • Director • Chair, Coastal Community Insurance Services (2007) Ltd. 	<ul style="list-style-type: none"> • Conduct Review & Corporate Governance • Community Involvement (Jan-May) • CCIS (May-Dec) 	15/15	5/5	5/5
Richard Kerton	<ul style="list-style-type: none"> • Director 	<ul style="list-style-type: none"> • Nominating (Jan-May) • Audit & Risk 	15/15	7/7	---
Gail Preus	<ul style="list-style-type: none"> • Director 	<ul style="list-style-type: none"> • Nominating & Community Involvement (Jan-May) • Conduct Review & Corporate Governance (May-Dec) 	15/15	4/4	---
Mary Ashley	<ul style="list-style-type: none"> • Director 	<ul style="list-style-type: none"> • Nominating & Community Involvement • Investment & Lending (May-Dec) 	14/15	7/7	---
Laurie Jackson	<ul style="list-style-type: none"> • Director 	<ul style="list-style-type: none"> • Nominating & Community Involvement (May-Dec) 	11/11	3/3	---

*Board Meetings also includes meetings for Strategic Planning, Enterprise-Wide Risk Management & Annual General Meeting.

Credit Union Industry Directorships Held by Directors and Officers

- Stabilization Central Credit Union of British Columbia:
Paul Johnson

Directors & Officers of Subsidiary Companies

Coastal Community Insurance Services (2007) Ltd.

Terry Law, Chair
Lynne Fraser
Adrian Legin
Rob Grundison, President
Barbara Coe
Bruno Dragani
Joe Cristiano
Lesley Maddison, General Manager
Paul Johnson, Corporate Secretary
Connie Mander, Financial Officer

Coastal Community Financial Management Inc.

John Newall, Chair
Cheryl Tellier
Adrian Legin
Rob Grundison, President
Barbara Coe
Bruno Dragani
Joe Cristiano
Don Tamelin, General Manager
Paul Johnson, Corporate Secretary
Connie Mander, Financial Officer