



# Governance Report

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GULF AND FRASER FISHERMEN'S CREDIT UNION  
YEAR ENDED DECEMBER 31, 2018



GULF AND FRASER FISHERMEN'S CREDIT UNION

## 2019 ANNUAL REPORT

# Governance Report

2018 was a tremendously successful year for Gulf and Fraser Fishermen's Credit Union (G&F Financial Group) and we ended the year in a strong financial position, surpassing our targets for deposits, loans, and overall assets. We opened our West End Branch, our fourth branch in Vancouver, and invested in a new corporate head office, located in the emerging Burnaby neighbourhood of Edmonds.

The Board of Directors (The Board) demonstrate a standard of consistent corporate governance with a theme of "Progressive Development." As a progressive Board, they are committed to the continuous evolution of their oversight practices enabling a standard of excellence in governance. The Board envisions the credit union becoming the primary source of, and first choice for, financial products and services for our members through service excellence. As Directors and as a Board, this vision will be achieved through continuous improvement and professional development. One initiative to support this was the annual Board Assessment which was facilitated by an external third party consultant per Board policy. The purpose of the assessment was to thoroughly evaluate governance practices and overall performance of the board, board committees and individual directors. In addition, they look to the corporate governance standards established by the Toronto Stock Exchange (TSX) for guidance in best practices, which are the leading standards of corporate governance in Canada.

The Board continues to strengthen board and individual director development ensuring that their knowledge and skills are relevant to our dynamic industry. In 2018, directors represented G&F Financial Group at the World Credit Union Conference, the Canadian Credit Union Association Conference, as well as the Central 1 Conference. The Board of Directors also participated in the Back Office Collaborative Excellence Day Conference where they engaged and collaborated with other credit unions and industry partners. The Board of Directors also have industry Subject Matter Experts present on a variety of current and emerging topics ensuring the directors remains well informed.

In the fall, the Board undertook a comprehensive review of the current Credit Union Rules, approved by members on April 5, 2016, and recognized that as a credit union evolves the credit union rules may need to be updated to reflect changing business needs and good governance. They recommended changes through a Special Resolution including administrative updates as well as clarification on the mandate of the Election Committee which the membership will vote in spring 2019. The results of the Special Resolution will be announced at the Annual General Meeting on April 9, 2019.

In the later part of 2018, the Board of Directors reviewed the three-year strategic plan with management to reaffirm key priorities, organizational goals and commitments to allow the credit union to continue to grow and provide exceptional service to our members.

The Board is committed to adopting processes and policies to ensure transparency and accountability in decision-making, ethical business practices and a commitment to community and social development. They hold themselves accountable, both as Directors and as a Board, for adhering to the highest standards of Board professionalism and performance.

## BOARD OF DIRECTORS

### Mandate

#### PURPOSE

Directors are responsible for representing the collective interests of the membership. This is accomplished by providing oversight over the affairs of the credit union. Directors must ensure that they carry out their responsibilities in accordance with established standards and applicable legislation. This includes completion of all information requests, disclosures, and other requirements as mandated by the legislation. Directors are individually accountable for the decisions of the Board.

In representing the collective membership of the credit union, there are two primary areas of responsibilities:

- Diligence in performing their Directors function
- Loyalty to the credit union, its' membership and anyone affected by decisions of the Board and the activities of the credit union

#### ROLE OF THE DIRECTOR

The role of a Director includes:

- Representing the collective membership and governing the credit union within the framework of relevant legislation and regulations
- Monitoring and providing oversight over the credit union's affairs on behalf of members,
- Providing policy direction to ensure preservation of the collective best interests of the membership
- Participating in the setting of strategic direction, ensuring allocation of adequate human and financial resources;
- Promoting the credit union within the community, and
- Provide oversight and monitoring of the credit union on behalf of its' members

The Board derives its authority as a group, through the Board, not as individual Directors, and as individual Directors they have no legal authority to act on behalf of the credit union except when the authority and responsibility for a specific task is delegated by the Board.

#### MEETING ATTENDANCE

The Board recognizes that to carry out their Directorship responsibilities effectively, they must be committed to attending and being prepared for all Board meetings and meetings of those Committees of which they are members. Directors are expected to review all meeting material and prepare for meetings in advance of each meeting, rather than relying on the opinions of others. If anything is unclear, clarification and explanation should be sought from the applicable resource person prior to the meeting.

## Composition

In accordance with our Rules, the Board is comprised of ten (10) Directors, with each Director elected for a three-year (3) term to a maximum of four (4) consecutive terms. Directors are elected by democratic process where members vote in accordance to our Rules with the results being announced at the Annual General Meeting.

The Election Committee has oversight responsibility for Director nominations and the election of Directors.

## Independence

### ROLE OF THE BOARD

As visionary leaders of the organization, the Directors undertake their responsibilities with an appreciation for the credit union's history and roots, a view to the future and consideration of the best interests of its membership and the communities that are served. The Board guides the credit union's strategic direction through the creation of the credit union's vision and mission, and they act in a manner consistent with the credit union's values.

The Board is committed to carrying out its activities in a manner that reflects the principles of integrity, teamwork, excellence in member service, open communication within the organization and efficient, prudent management of the credit union. In addition, the Board acts independently of management in carrying out its duties and responsibilities.

### *Fiduciary Responsibilities*

The Board has the power and obligation to act for the credit union and, therefore, holds a position of trust. This type of association based on trust is called a fiduciary relationship. A fiduciary is one that stands in a special relation of trust, confidence, or responsibility in certain obligations to others.

The Board carries out its fiduciary duties with care, diligence and skill. The Board operates in good faith and with the best interests of the credit union in mind.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board's trusteeship function includes responsibility:

- To act on behalf of the members to safeguard their funds deposited in the credit union. This includes monitoring the CEO's Office stewardship over credit union operations, and arranging for the periodic audit and appraisal of the financial affairs of the credit union
- To ensure that the credit union operates within the law, including the *Credit Union Incorporation Act and Regulations* and *Financial Institutions Act and Regulations*, the *British Columbia Business Corporations Act and Regulations*, and in accordance with the credit union's own Rules
- To ensure that the Board observes and upholds the policies by which it determines how it will conduct itself

The Board's perpetuation function includes responsibility:

- To ensure that a capable and qualified Board is perpetuated by the recruitment of suitable members for positions as Directors of the Board, and ensuring ongoing training is provided for Directors
- To ensure that plans are in place for the orderly succession of the CEO's Office and key executives in the event of both planned and unplanned events
- To select the CEO's Office, evaluate his/her performance and ensure that the CEO's Office is appropriately compensated

The Board's decision-making function includes responsibility:

- To define the mission of the credit union, establish strategic objectives, and to formulate, approve and monitor the execution of general policies.

The Board's review and monitoring function includes responsibility:

- To review, in conjunction with the CEO's Office, strategic plans which will achieve the credit union's objectives
- To monitor, review, and evaluate adherence to annual budgets
- To monitor, review, and evaluate changes in capital structure and contingent liabilities
- To monitor, review, and appraise major individual projects and programs, significant changes in policy, changes in organization and structure, and lawsuits of a material nature
- To monitor, review and appraise the credit union's performance relative to its plans and objectives; and
- To monitor, review, and appraise adherence to policies, plans and objectives

The Board's 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
- 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's external/public leadership function includes the responsibility:

- To promote and defend, through the Board Chair, the credit union, its management and Board;
- To enhance the image of the credit union by participating in and supporting worthwhile social and economic endeavours
- To do so in a manner consistent with the credit union's values and other Board policies

More specific duties of the Board include the following:

- To require management to present strategic plans, business plans, budgets and policies to the Board for approval;
- To seek out the professional opinion and advice of management
- The selection of legal counsel, appraisers and other professionals as related to matters of governance;
- The selection of auditors;
- To identify the Board's information needs and assure timely flow of requested information
- To direct committees and review and approve the Terms of Reference of committees
- To provide direction to the CEO's Office through ad hoc or standing committees of the Board on credit union objectives and philosophy
- To establish Board committees and review committee structure as required
- To establish a transparent and independent evaluation process to compare Board candidates on the basis of required skills and qualities
- To receive reports and minutes of committees
- To review and approve recommendations from committees and management
- To approve the annual report, the annual audited financial statements and year-end capital adequacy return
- Subject to legislative restrictions, delegate any or all of the foregoing duties

### *Accountability*

The Board is accountable to the membership of the credit union.

The Board shall report directly to the membership of the credit union at least annually and shall place before the membership its annual report, audited financial statements, and other information as required by the *Credit Union Incorporation Act* and the Rules of the credit union.

### *Records and Reporting*

Under the *British Columbia Business Corporations Act*, minutes of every Board meeting must be recorded and kept on file at the credit union office. A complete meeting record will be maintained by the Recording Secretary and is available to any Director and the CEO's Office. The minutes will contain information regarding the deliberations, decisions and actions of the meeting.

The minutes of each Board meeting are prepared and distributed in a timely fashion to the Board Chair and each Director.

### *Purpose and Authority*

The Board represents the members of the credit union and is responsible for monitoring the performance of the credit union. The purpose of the Board is to ensure the sound management and operation of the credit union for the benefit of the collective membership and depositors to whom the Directors owe a fiduciary responsibility.

## GOVERNING LEGISLATION AND REGULATION

The credit union is established under the 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*, the *Credit Union Incorporation Act*, and the applicable sections of the *British Columbia Business Corporations Act*. 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.

## BOARD COMMITTEES

The credit union has Statutory and Standing committees that are responsible for carrying out both legislated and delegated functions as described in each committee's Terms of Reference.

As per the *Financial Institutions Act*, the Board elects the *Audit Committee*, the *Conduct Review Committee*, and the *Investment and Lending Committee*. All other standing committees are either elected or appointed by the Board.

The committees meet regularly throughout the year and are required to provide timely reports and recommendations to the Board. Each committee follows an Annual Work Plan based upon its Terms of Reference to confirm that it meets its duties and responsibilities as required by legislation and fulfills its mandate. A brief overview of the Committee's mandate follows:

### AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its obligations and oversight responsibilities related to the audit process, financial reporting, internal controls and enterprise-wide risk management. The Audit Committee meets regularly with both the internal and external auditors.

### CONDUCT REVIEW COMMITTEE

The purpose of the Conduct Review Committee is to establish and to ensure adherence to procedures designed to prevent conflicts of interest, resolve them if they occur, and to review and approve specific transactions and classes of transactions between the credit union and related parties. The Committee may require the attendance of the external auditor at any meeting of the Committee.

### INVESTMENT AND LENDING COMMITTEE

The purpose of the Investment and Lending Committee is to establish prudent investment and lending policies and ensure procedures are followed and on a regular basis review asset quality, new loan reports and delinquent accounts.

### ELECTION COMMITTEE

The purpose of the Election Committee is to ensure that elections for Directors are conducted in a manner that fulfils the requirements of the credit union's Rules for elections and related legislation and to ensure there are a sufficient number of qualified candidates for election each year as required by the Rules of the credit union. Annually, the Board identifies its requirements to govern the credit union effectively. Based on these needs, the Election Committee actively recruits candidates who will make a positive contribution to the credit union and Board. The Election Committee presents to the Board a list of strong candidates, including current incumbents. The Election Committee carries out this process consistent with the credit union's Rules, regulatory and legislative requirements.

### **EXECUTIVE COMMITTEE**

The purpose of the Executive Committee is to meet with the CEO's Office between Board meetings to discuss matters concerning credit union operations and to prepare recommendations on such matters for presentation at Board meetings.

### **GOVERNANCE, COMPENSATION AND HUMAN RESOURCES COMMITTEE**

The Governance, Compensation and Human Resources Committee (GCHRC) is charged with reviewing, developing and recommending any changes to Governance and/or to the By-laws of the credit union to the Board of Directors. The Committee reviews and recommends approval for G&F's overall compensation philosophy as well as all compensable and non-compensable plans that make up the Co-CEO's total rewards. The Committee recommends the comparable markets used for "benchmarking" compensation to a comparator group. The Committee reviews compensation trends and the linkage to performance as well as oversees incentive plan design and eligible participants. The GCHRC is also responsible for ensuring an effective process is in place for Succession Planning and Executive development.

### **CREDIT UNION SUBSIDIARY**

Gulf and Fraser Insurance Services Ltd. is a wholly owned subsidiary of the credit union. It is in the business of offering wealth management advice services and business group insurance, life insurance and living benefits solutions to its members.



## CORPORATE GOVERNANCE DISCLOSURE

### DIRECTOR BACKGROUND

#### Current Directors

As of December 31, 2018 G&F's Directors are:



**NAME:** Lewis Bubl , President and Board Chair  
Director Since: 1997  
Current Term: 2018-2021

**BACKGROUND/  
EXPERIENCE:** Lewis is very active in the business and sporting communities, as well as in the fishing industry. He is a co-owner of the Vancouver Giants Western Hockey League team, and also owns and operates Winning Edge Management Inc.

**COMMITTEES:** Audit Committee  
Conduct Review Committee  
Election Committee  
Executive Committee  
G&F Foundation Advisory Board  
Governance, Compensation and HR Committee  
Investment and Lending Committee  
Strategic Planning Committee

**OTHER BOARD  
APPOINTMENTS:** President and Chair of the Board of Pacific Coast Fishermen's Mutual Marine Insurance Company  
Past Chair of the B.C. Salmon Marketing Council  
2019 IIHF World Junior Hockey Championship Playmaker



**NAME:** Floyd Yamamoto, First Vice Chair  
 Director Since: 2007  
 Current Term: 2016-2019

**BACKGROUND/  
 EXPERIENCE:** Through his work at G&F Financial Group, Stabilization Central Credit Union, and over 20 years of experience as an IT professional, Floyd has a solid understanding of the credit union system, board governance, and Information Technology. He is very active in his community, and has previously volunteered for the Nikkei Fishermen’s Reunion Project, RCMP Multi-Cultural Advisory Committee and Steveston’s Santa Claus parade.

**COMMITTEES:** Conduct Review Committee  
 Election Committee  
 Executive Committee  
 Governance, Compensation and HR Committee  
 Investment and Lending Committee  
 Strategic Planning Committee

**OTHER BOARD  
 APPOINTMENTS:** N/A



**NAME:** Sonia Virk, Second Vice Chair  
 Director Since: 2014  
 Current Term: 2017-2020

**BACKGROUND/  
 EXPERIENCE:** A professional lawyer with a focus in corporate and commercial law, Sonia obtained her B.A. (Law) and LL.B. degrees from Guru Nanak Dev University in Punjab, India, as well as a second LL.B degree from the University of New Brunswick. She co-founded law firms Joomratty & Virk and Virk Viyas & Associate Lawyers. In 2007, she was elected President of the Indo Canadian Business Association of BC and serves on the Board of Directors of the Surrey Hospital Foundation.

**COMMITTEES:** Conduct Review Committee  
 Election Committee  
 Executive Committee  
 Governance, Compensation and HR Committee  
 Investment and Lending Committee  
 Strategic Planning Committee

**OTHER BOARD  
 APPOINTMENTS:** Surrey Board of Trade’s Surrey Women in Business Award  
 Winner 2017 – Professional Category  
 Surrey Hospital Foundation





**NAME:** Christine Dacre, Director  
Director Since: 2016  
Current Term: 2016-2019

**BACKGROUND/  
EXPERIENCE:** Christine is a Chartered Professional Accountant with over 15 years in executive and senior level financial positions. She has significant experience in finance, strategic planning, corporate leadership, risk management, internal controls, human resource processes and information technology. Christine is currently employed at TransLink as Vice President Financial Services. Her Board experience includes a current Board position on the New Westminster Police Department, a previous position on the Board of the New Westminster Victims Assistance Association, and a previous Board member at G&F Financial Group from 1992 – 2007.

**COMMITTEES:** Audit Committee  
Election Committee  
Governance, Compensation and HR Committee  
Investment and Lending Committee

**OTHER BOARD  
APPOINTMENTS:** New Westminster Police Department



**NAME:** Ian Daniel, Director  
Director Since: 2016  
Current Term: 2016-2019

**BACKGROUND/  
EXPERIENCE:** Originally trained in electrical engineering technology, Ian worked in several countries in the Middle East, India and South America. He later joined BC Hydro where he served for 22 years in a number of technical and management roles. More recently, he founded New Creation Consulting and NCOL Internet, an active Vancouver-based Internet consulting firm, now in its 21<sup>st</sup> incorporated year. Ian is a member of the Advisory Board of the Entrepreneurial Leaders Organization, which seeks to encourage and empower entrepreneurs in the world of business.

**COMMITTEES:** Audit Committee  
Conduct Review Committee  
Election Committee  
G&F Foundation Advisory Board  
Governance, Compensation and HR Committee

**OTHER BOARD  
APPOINTMENTS:** Entrepreneurial Leaders Organization



**NAME:** Brian Hamaguchi, Director  
 Director Since: 1983  
 Current Term: 2016-2019

**BACKGROUND/  
 EXPERIENCE:** Brian spent his career in the fresh fish department of CANFISCO. He brings a unique perspective to the G&F Financial Group Board of Directors, providing oversight on investment decisions in the best interest of the membership. He is a keen proponent of high quality member service and continues to endorse improvements and innovations within the credit union.

**COMMITTEES:** Conduct Review Committee  
 Election Committee  
 Investment and Lending Committee

**OTHER BOARD  
 APPOINTMENTS:** Fishermen's Union  
 UFAWU Shore Workers Benefit Fund



**NAME:** Bill Nohr, Director  
 Director Since: 2011  
 Current Term: 2017-2020

**BACKGROUND/  
 EXPERIENCE:** Bill was born and raised in Vancouver and has been a proud member of the credit union since 1979. Bill spent 25 years in Senior Management with Volvo Penta Canada with a focus on product marketing and managing budgets. Bill has held leadership roles in the non-profit sector in the area of direct service and fundraising and is currently active in volunteering his time for community service. Bill is particularly proud of G&F's involvement in our members' communities. It shows the care we have for our members and illustrates our commitment to the cooperative principles.

**COMMITTEES:** Audit Committee  
 Conduct Review Committee Election Committee  
 Election Committee  
 Governance, Compensation and HR Committee  
 Strategic Planning Committee

**OTHER BOARD  
 APPOINTMENTS:** N/A



**NAME:** Howard Normann, Director  
 Director Since: 1996  
 Current Term: 2017-2020

**BACKGROUND/  
 EXPERIENCE:** Employed by the City of Vancouver/Vancouver Park Board for over 36 years, Howard firmly believes that good corporate governance is the foundation of a successful organization, and that the Board of Directors must continue to be accountable to the membership by showing strong leadership and business judgment.

**COMMITTEES:** Audit Committee  
 Conduct Review Committee  
 Election Committee  
 G&F Foundation Advisory Board  
 Governance, Compensation and HR Committee  
 Investment and Lending Committee  
 Strategic Planning Committee

**OTHER BOARD  
 APPOINTMENTS:** N/A



**NAME:** Jennifer Phipps, Director  
 Director Since: 2015  
 Current Term: 2018-2021

**BACKGROUND/  
 EXPERIENCE:** Jennifer, a CPA and CA, has over 20 years of experience in the accounting profession and is currently a partner of Manning Elliot LLP. Jennifer brings her accounting, auditing, tax and general business knowledge to the position. She has strong communication skills and believes that teamwork produces great results. She has spent many years providing personalized professional services to her clients and appreciates the importance of meeting the personal needs of members, investing in employee development and embracing technological change.

**COMMITTEES:** Audit Committee  
 Conduct Review Committee  
 Investment and Lending Committee

**OTHER BOARD  
 APPOINTMENTS:** N/A



**NAME:** Lee Varseveld, Director  
 Director Since: 2014  
 Current Term: 2017-2020

**BACKGROUND/  
 EXPERIENCE:** Lee, a Chartered Insurance Professional, has enjoyed a 25 year career in the marine insurance industry and currently serves as General Manager of Pacific Coast Fishermen’s Mutual Marine Insurance Company. Lee is proud to contribute to G&F Financial Group’s goal of helping its members, staff, and community achieve a life beyond banking.

**COMMITTEES:** Audit Committee  
 Conduct Review Committee  
 Election Committee  
 Governance, Compensation & HR Committee  
 Investment and Lending Committee

**OTHER BOARD  
 APPOINTMENTS:** Fishermen Helping Kids with Cancer non-profit corporation

**2018 PAST DIRECTORS**

The following Directors served a partial term at the beginning of 2018. They stepped down from the Board as of the 2018 AGM.

Name: Joe Boroevich  
 Recent Term: 2015-2018

Name: Vila Nova Carvalho  
 Recent Term: 2015-2018

## DIRECTOR COMPENSATION DISCLOSURE

The Board's compensation is designed to attract and retain experienced Directors who are aligned with G&F's values and have the breadth of skill and ability to lead the long term success of the credit union.

This requires that Directors be adequately and competitively compensated. The amount of compensation is reviewed every two years with an independent consultant. When determining the appropriate level of compensation the Directors consider:

- The values, vision and mission of G&F
- The level of responsibility and time commitment required of Directors, and
- The need to attract and retain Directors with the skills and attributes required to advance G&F's business model and strategic plans, and to control its risks

<b>ANNUAL COMPENSATION</b>	The Board has set its compensation based on the benchmark group of BC credit unions that most closely align with our asset size. The intention is to pay at the median of the market and to review compensation levels every two years. The Board takes into account several considerations when it reviews Director compensation, including compensation practices at other credit unions, the opportunity cost of the expected time commitment by Directors, and the risk and responsibilities involved. They ensure that all considerations align with trends and proper governance in the credit union industry. G&F benchmarks its Board compensation based on "total" compensation and makes decisions on its compensation, based on an honorarium only method.
<b>ADDITIONAL COMMITTEE COMPENSATION</b>	There is no additional compensation for attending committee meetings as a Director.
<b>BOARD CHAIR HONORARIUM</b>	The honorarium paid to the Board Chair is \$30,375
<b>FIRST VICE CHAIR HONORARIUM</b>	The honorarium paid to the First Vice Chair is \$24,750
<b>SECOND VICE CHAIR HONORARIUM</b>	The honorarium paid to the Second Vice Chair is \$22,500
<b>COMMITTEE CHAIR ADDITIONAL STIPEND</b>	The stipend paid to the Committee Chair is \$2,250
<b>DIRECTOR</b>	The honorarium paid to Directors is \$18,000
<b>EXPENSE REIMBURSEMENT</b>	G&F recognizes that Directors will incur expenses as they carry out their duties during the Board year. Directors are expected to exercise discretion and good judgment in determining what is a reasonable expense to be incurred on behalf of G&F and demonstrate a good example for the use of credit union resources.
<b>PROFESSIONAL DEVELOPMENT</b>	The Board of Directors has an approved budget for ongoing Director education and development. Education and development programs must be relevant to the business of the credit union.
<b>BENEFITS AND PERQUISITES</b>	Directors may participate in the benefits program designed through the Central Union Trust for credit union Directors but they pay all of the applicable premiums. While Directors are encouraged to use the products and services of G&F they do so under the same terms and conditions as all other members of the credit union.

For the year 2018, the compensation received for each Director is outlined in the table below, along with their meeting attendance.

NAME	ROLES	ANNUAL COMPENSATION	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED	TOTAL COMPENSATION	TOTAL EXPENSES <sup>1</sup>
Lewis Bubl�	President and Chair	\$30,375	10 of 11	26 of 27	\$30,375	\$4,500
Floyd Yamamoto <sup>3</sup>	First Vice Chair	\$24,750	11 of 11	13 of 13	\$23,625	\$9,300
Sonia Virk	Second Vice Chair	\$22,500	9 of 11	11 of 13	\$22,500	\$3,800
Joe Boroevich <sup>2</sup>	Director	\$18,000	3 of 4	2 of 3	\$5,617	\$4,000
Vila Nova Carvalho <sup>2</sup>	Director	\$18,000	3 of 4	2 of 3	\$5,617	\$2,700
Christine Dacre	Director	\$20,250	8 of 11	10 of 12	\$20,250	\$3,800
Ian Daniel	Director	\$20,250	11 of 11	13 of 14	\$20,250	\$3,800
Brian Hamaguchi	Director	\$18,000	11 of 11	8 of 11	\$18,000	\$9,200
Bill Nohr	Director	\$20,250	11 of 11	12 of 14	\$20,250	\$3,900
Howard Normann <sup>4</sup>	Director	\$20,250	10 of 11	7 of 16	\$21,375	\$7,100
Jennifer Phipps	Director	\$20,250	10 of 11	12 of 14	\$20,250	\$3,800
Lee Varseveld	Director	\$20,250	11 of 11	14 of 14	\$20,250	\$9,600

<sup>1</sup>Not including meals

<sup>2</sup>Director until April 10, 2018

<sup>3</sup>First Vice Chair as of April 11, 2018

<sup>4</sup>First Vice Chair until April 11, 2018



GULF AND FRASER FISHERMEN'S CREDIT UNION

## CORPORATE GOVERNANCE DISCLOSURE

### CEO COMPENSATION DISCLOSURE

G&F's Executive compensation is overseen by the Governance, Compensation and Human Resources Committee of the Board of Directors. The Governance, Compensation and Human Resources Committee makes recommendations to the Board about:

- The Compensation Philosophy
- Total Compensation for the CEO's Office
- Structure and plan design for key elements of compensation
- Total compensation for the CEO's Office based on performance

The Governance, Compensation and Human Resources Committee retains independent compensation expertise to provide advice on the elements, structure and amount of CEO total compensation.

### G&F'S COMPENSATION PHILOSOPHY

G&F's Total Compensation Philosophy applies to all employees and is based on a pay for performance philosophy. It is intended to attract and retain high caliber employees; ensuring compensation levels are competitive and fair. Therefore, G&F offers a Total Compensation Program that is comprehensive, competitive in the marketplace and recognizes exceptional talent.

G&F takes a broad view towards total compensation including monetary and non-monetary programs that reflect our vision, values, and strategies. Programs are designed to ensure employees act as a team, perform to the best of their capability and consider members in decisions and actions. G&F's compensation philosophy provides the guiding principles for designing and delivering an effective reward program to attract, retain and engage employees.

*G&F's Total Compensation Program:*

- Strikes a balance between market competitiveness and internal equity
- Aligns the interests of our employees with G&F's business goals and our members' interest
- Is competitive with that of peer companies where G&F competes for talent

### CEO'S OFFICE

G&F's CEO's Office is predicated on a Co-CEO model where leadership for the organization is a shared responsibility. The CEO's bring complementary skills to the role and provide G&F with a broader set of experience and ideas, than would be otherwise possible, to develop the business strategy and make decisions.

The CEO's total compensation is based on the guiding philosophy and principles that apply to all employees and includes all material elements of base salary, incentives and benefits (including vacation, perquisites and retirement savings program).

	William Kiss	Jeff Shewfelt
<b>ACTUAL BASE SALARY PAID</b>	\$352,470	\$352,470
<b>SHORT TERM INCENTIVE PAID FOR FY18</b>	\$140,988	\$140,988
<b>TOTAL</b>	\$493,458	\$493,458

The Governance, Compensation and Human Resources Committee have recommended an approach to compensation for the CEO's Office that the Board has approved. The CEO's compensation comparator group is drawn from the Canadian credit union sector. The composition of the comparator group is based on credit unions across Canada within the same asset range as reported by Central 1. The Co-CEO salary range is established based on the 25<sup>th</sup> percentile for the comparator group as described.

### BASE SALARY

Base salary is determined for the CEO's Office by the Board of Directors and is reviewed annually. Any changes to base salary apply equally to the Co-CEO's. Base salary progression is based on a pay for performance philosophy. The Co-CEO's base salary for 2018 is \$352,470.

The salary range is reviewed by the Board of Directors at least every three years to ensure it remains market competitive.

### INCENTIVE PROGRAM

The total compensation package for the CEO includes a base salary in line with the median of the designated comparative group and a target short and long-term incentive program designed to reward the achievement of annual and longer-term organizational performance objectives.

The Co-CEO's participate in the Management Short Term Incentive Plan (STI Plan) that rewards performance against a predefined set of objectives that are reviewed and approved annually by the Board of Directors. The plan is designed to ensure we are not incenting behaviours which would create risk for our members or the sustainability of G&F.

The metrics under the plan consider member and employee engagement with G&F, the operational efficiency, financial performance, achievement of business initiatives and asset growth that together provide a balanced approach to assessing organization success. Payments under the STI Plan are contingent on achieving a threshold level of performance. The performance results are determined for the CEO's Office and shared equally by the Co-CEO's. Maximum payout is 40% of base salary. For 2018 performance, each CEO's STI Plan was \$140,988 which represents 40% of salary.

The Board of Directors have approved a Long Term Incentive Plan (LTIP) effective January 1, 2018. This plan is designed to reinforce long-term growth and effective management of the credit union. The LTIP is a rolling plan with a performance term of three years which commences on a January 1 and will continue for a term representing three financial years of G&F. For each new term there will be a set of strategic objectives and financial measures based on the strategic plan of G&F that must be achieved for any payment to be considered and possibly made to the eligible Executives at the end of the performance term. The first eligible payout will be in 2021<sup>1</sup>.

<sup>1</sup>for 2018 – 2020

## **BENEFITS AND PERQUISITES**

G&F provides comprehensive benefits to support employees and their families with health, retirement and other work-related benefits to address their unique needs. A healthy and secure workforce is best able to contribute to the accomplishment of our business performance objectives. G&F's commitment to work life balance is evident in our vacation allowance, benefits and unique employee events.

The Co-CEO's participate in the benefits programs that are offered to all employees of G&F. The comprehensive Flexible health benefits program can be tailored to the individual benefit needs based on the allocation of flex credits provided. The level of the plan varies by salary level due to income insurance benefits included under the flexible plan. The plan encompasses extended health care, dental care, life insurance, accidental death and dismemberment insurance, short and long term disability, employee and family assistance plan and provincial health.

The Co-CEO's each have an annual perquisite allowance of up to \$18,000. The Executive Perquisite Program is designed to support the Co-CEO's with business related expenses such as a taxable vehicle allowance and other taxable and nontaxable choices.

## **RETIREMENT INCOME PROGRAM**

The Co-CEO's participate in the Registered Retirement Savings Plan (RRSP) designed for all G&F employees. They receive 10.5% of their base salary contributed to their G&F RRSP up to the limit allowable under the Canada Revenue Agency (CRA) guidelines. Any amount in excess of their RRSP limit is accrued into a Supplementary Executive Retirement Plan (SERP). The SERP was introduced on January 1, 2017 for the Co-CEO's and provides for the benefits in excess of the *Income Tax Act* maximum.

## **OTHER EMPLOYMENT TERMS**

The Co-CEO's employment contract stipulates that if their employment is terminated for cause, no notice, salary, benefits or bonus are owed to them. If their employment is terminated without cause, there is a 22 month severance package (including salary, incentives and benefits) owed to them.

## **EXECUTIVE TEAM**

The G&F Financial Group Executive Team is comprised of the following individuals. For more information on these individuals, visit [https://www.gffg.com/AboutUs/WhoWeAre/Governance/Exec\\_Team/](https://www.gffg.com/AboutUs/WhoWeAre/Governance/Exec_Team/)

William Kiss, Co-CEO

Jeff Shewfelt, Co-CEO

Michael Atkinson, Senior Vice President, Wealth and Advice

Bobby Dhillon, Senior Vice President, Marketing and Planning

Chris Goodman, Chief Information Officer

Ron Lee, Chief Financial Officer

Nelson Sandhu, Chief Experience and Innovation Officer

Diane Sullivan, Chief People and Culture Officer

## Internal Audit

Internal Audit at G&F reports administratively to the CEO's office, and functionally to the Audit Committee of the Board of Directors. This reflects the dual mandate of Internal Audit to provide control assessment and services to management, and to provide assessments of the adequacy of the internal control system and management of risk to the Audit Committee.

The Internal Audit group maintains their independence through the exercise of objectivity and candor, while maintaining close communications and contact with all business units of the credit union.

## Auditors

KPMG LLP  
Chartered Professional Accountants  
Vancouver, BC

The external auditor's responsibility is to express an opinion on the consolidated financial statements based on their audit. They conduct an audit in accordance with Canadian generally accepted auditing standards. Those standards require that they comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

## Corporate Counsel

Harrop, Phillips, Powell & Gray LLP  
Vancouver, BC