



Governance Report 2020



achieve ■ prosper ■ grow



As a member-owned, democratic co-operative financial institution, Ganaraska Credit Union is governed by a Board of Directors elected by the Credit Union's members.

The Board bears fiduciary responsibility for the Credit Union, protecting members' interests and financial assets. It shapes the Credit Union's strategic direction, establishes the Credit Union's overall risk appetite and ensures appropriate processes and controls are in place to identify, manage and monitor applicable risks.

The Board selects the Chief Executive Officer (CEO), establishes the CEO's accountabilities and evaluates the CEO's performance. The Board also communicates with members and other stakeholders by reporting its activities through the annual report, the annual general meeting and other channels, and by being accessible by email and in person at Ganaraska Financial Credit Union or community events.

THE 2020/2021 BOARD OF DIRECTORS

| | |
|-------------------|---------------------------------|
| Wendy Giroux | Chair |
| Evelyn Vander Mey | Vice-Chair |
| Darlene Robertson | Corporate Secretary |
| Peter Dounoukos | Audit Committee Chair |
| Lynda Kay | Governance & HR Committee Chair |
| Dianne Huffman | |
| Rob O'Neil | |
| Ron Wiebe | |
| Todd Wilson** | |

***In accordance with section 5.9 of the Credit Union's by-laws, was appointed to the Board to fill a vacancy starting in November 2020.*

GANARASKA CREDIT UNION'S GOVERNANCE PRINCIPLES

1. Governance Framework

The Credit Union's Board establishes, and operates within, a governance framework that:

- establishes a solid foundation for the overall guidance, direction and operation of the Credit Union through development by the board of effective governance structures, policies, and processes;
- ensures that the Credit Union has the means, capability and willingness to put into practice effective measures to direct it prudently;
- provides effective stewardship of business operations and management of risk, in particular, to clearly understand the potential risks associated with the operation of the Credit Union and ensure that effective risk management mechanisms are in place, including the Board's ability to monitor and manage risk;
- reflects the Credit Union's commitment to the principles of integrity, open communication, teamwork, and continuous improvement;
- adheres to the Credit Union's documented standards as established by Board and Credit Union policies;
- ensures that the Credit Union adheres fully and at all times to the statutory and regulatory requirements in all aspects of its operations, and conducts itself in full accordance with the Deposit Insurance Corporation of Ontario (DICO) Bylaw No. 5 – Standards of Sound Business and Financial Practices; and
- provides a basis for confidence among members, employees, depositors, creditors and regulatory agencies that the Credit Union has established sound governance policies and practices and is committed to operating within that framework.

2. Governance Process

The Board is responsible for establishing governance policies and practices. It fulfills its responsibilities as described further in its governance policies, the Credit Union's member-approved by-laws, applicable legislation, or as determined by the Board from time to time.

In particular, it:

- elects from the directorship a Chair and a Vice-Chair; appoints Committee Chairs in accordance with established policy, and appoints a Corporate Secretary (who does not need to be a Director). This occurs on a yearly basis at the first meeting of the Board following the Annual General Meeting;
- ensures that policies are in place and effective processes are established, based on contemporary governance best practices as may be relevant to the Credit Union, for all aspects of Board governance;

- develops appropriate criteria for the recruitment, evaluation and selection for recommendation to the membership of potential candidates for Director that focus on the governance role of the board and the needs of the Credit Union’s members;
- establishes processes for the effective orientation, training and development of Directors to ensure that they receive the information and assistance necessary to understand the role of the Board and Directors, the structure of the Credit Union, and the nature and risks of the business;
- conducts annually an assessment of its own performance and the performance of its Chair, Committee Chairs, and Committees of the Board;
- conducts annually an assessment of the CEO per the policy on CEO performance assessment.
- holds the required number of Board meetings as may be determined in order to fulfill its governance responsibilities;
- ensures that the Corporate Secretary maintains records of all open and in camera meetings and actions that the Board-approved during these meetings. The minutes of each open meeting of the Board will be presented to the Board at its next scheduled meeting and made available to the external auditors and regulators upon request; and
- removes from office those elected Directors who cease to qualify as Directors under the Act or under the Credit Union’s By-laws.

3. Board Policies

Board policies are developed, put into practice, reviewed, and amended by the Board on the basis of experience and changing needs of the Credit Union. The Board of Directors approve all Board Policies, and any changes and updates to a Board Policy. The Board is responsible for developing governance policies for the Board and overseeing the implementation of governance policies approved by the Board. Board appointed Committees review all governance policies annually and may recommend changes to the Board.

4. Board Guiding Principles

In carrying out its duties and responsibilities, the Board will:

- demonstrate its commitment to cooperative principles;
- recognize the important contribution that stakeholders, including members and employees, make to the success of the Credit Union;
- respect members’ needs and interests;
- respect the dignity and self-worth of all members and employees;
- respect the communities served; and
- demonstrate leadership and integrity in all business practices.

5. Board Structure

The Board has been structured to ensure that it has an understanding and competence to deal with current and emerging issues facing the Credit Union. With nine (9) members and a variety of perspectives and skills the Board’s size and composition is conducive to effective decision making.

One of the principal features of a well-governed organization is a high level of independent judgment exhibited by its Board of Directors. An effective Board provides guidance for the CEO and also holds the CEO accountable for performance. The Board is effective in reviewing and challenging the performance of the CEO and is composed of independently-minded individuals acting in the best interests of the Credit Union. The Board holds in-camera sessions at each Board Meeting.

6. **Board Committees**

The Board ended 2020 with three (3) Committees, whose mandates are described below:

AUDIT & FINANCE COMMITTEE:

The Audit & Finance Committee's principal role is to ensure the integrity of financial reporting process and internal controls, accounting policies and reporting procedures. The Committee provides oversight to the internal audit function alongside compliance with all applicable regulations, and manages the audit relationship with the external auditors. This includes;

- Review of financial statements, internal controls, accounting policies and reporting procedures.
- Ensuring integrity of financial reporting.
- Oversight of internal and external audit processes and relationships.
- Oversight of Audit and non-Audit services by the external auditors.
- Monitoring Regulatory compliance.
- Reviewing and monitoring compliance with Board policies.
- Ensuring compliance with Restricted Party and Conflict of Interest matters.

The Audit Committee is also responsible for ensuring the processes for identifying, managing and monitoring critical risks of the Credit Union are in place. The Committee provides strategic oversight of the Credit Union's credit risk management policies and DICO standards; oversees the conduct of all activities associated with Enterprise Risk Management (ERM) including the establishment of a risk appetite framework. This includes;

- Ensuring policy guidelines are in place throughout the Credit Union to ensure all enterprise risks are at an acceptable level.
- Annual review of the Board's ERM policy.
- Monitoring risks associated with major project initiatives which support the Credit Union's Strategic Plan.
- Overall, providing strategic oversight with the view to ensuring that the Board policies the Committee is accountable for accomplishing the dual objectives of supporting the Credit Union's Strategic Plan while at the same time being in sync with the Board approved risk appetite and risk tolerance.

As with all Credit Union committees, the Audit & Finance Committee has no power to bind the Credit Union, but is tasked to, from time to time, recommend a course of action if required.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE:

The Governance and Human Resources Committee is accountable for ensuring the effective governance of the Credit Union and overseeing Human Resources policies and programs by ensuring they are developed, implemented and adhered to by Management in support of business strategies. It is responsible for creating and maintaining a healthy governance culture within Ganaraska Credit Union, so that Members are assured of both appropriate representation and governance structures, policies and procedures that reflect the industry's current best practices. This includes;

- Oversight of the Board and Committee structure and membership.
- Oversee the director nomination, evaluation, selection and election processes for Board candidates;
- Oversee the process for evaluating Board and Committee performance in order to assess the effectiveness of the Board, its Committees and Committee Chair.
- Oversight of the Board's annual planning process.
- Annual review of the Board's governance policies.
- Oversight of the Annual General Meeting of Members, including the Annual Report.
- Assessment of Board/CEO relationship and CEO performance.
- Development of Directors.

The Committee will also ensure that Credit Union employees receive fair and meaningful employment in a safe and respectful workplace. This includes;

- Review of the Credit Union's HR Policies.
- Ensuring the compensation philosophy and guidelines for compensating the Credit Union's employees are aligned with the Credit Union's business strategies.
- Review results of the Employee survey (if conducted).
- Due diligence on the process for establishing the performance metrics and measures for, the performance assessment of, and recommending the compensation for the CEO.
- Overseeing talent management plans for the Executive Leadership Team (CEO's direct reports).
- Succession planning for the CEO and Executive Leadership Team.
- Recommending Director Compensation to the Board.

As with all Credit Union committees, the Governance & Human Resource Committee has no power to bind the Credit Union, but is tasked to, from time to time, recommend a course of action if required.

EXECUTIVE COMMITTEE:

The Executive Committee is a Board Committee that consists of the Board Chair, Vice-Chair, Corporate Secretary and the Credit Union's CEO. The Committee meets at the pleasure of either the Chair or CEO. The Committee was created to deal with Credit Union business that the Chair or CEO felt more comfortable dealing with at a higher level, prior to full Board involvement. As with all Credit Union committees, the Executive Committee has no power to bind the Credit Union, but is tasked to, from time to time, recommend a course of action if required.

7. Effective Directors

Directors of Ganaraska Credit Union have the knowledge and information required to effectively fulfill their responsibilities. Commencing in 2012, Director Competency Levels have been measured utilizing the Competency Matrix developed by DICO (Deposit Insurance Corporation of Ontario) which sets out the desired skills, knowledge and experience required for membership on the Ganaraska Board. The Board also utilizes recognized 3rd party industry training providers and participates in specifically designed director training programs. Annually, the Board participates in Director Continuing Education.

The topics & policies reviewed in 2020 were;

1. Structural Risk Management;
2. Credit Risk Management;
3. Liquidity Risk Management;
4. Capital Risk Management;
5. Market Risk Management;
6. Operational Risk Management;
7. Corporate Governance;
8. Strategic Planning; and
9. Anti-Money Laundering.

8. Board Performance

To function effectively the Board ensures it is positioned to change as the needs of the Credit Union evolve. Board performance is dependent upon its directors being equipped with the knowledge and information needed to discharge its responsibilities. The Board has therefore adopted a process to monitor and improve its own performance. To monitor effectiveness, the Board conducts a yearly self-assessment.

The CEO provides an orientation program for new directors. This program includes discussions with the CEO, reading material and policy review. The orientation program includes reviewing DICO's Director Handbook, the year's Business Plan, the Credit Union's Strategic Plan, director training and risks facing the Credit Union including their Enterprise Risk Management (ERM) Program.

9. Board Integrity

The Board actively pursues ethical behavior and responsible decision-making, reinforcing the set of ethical standards applicable to both the Board and the Credit Union's staff.

Annually, each Director must reaffirm the Credit Union's ethical standard by acknowledging they have read, understood and will abide by Ganaraska Credit Union's Statement of Ethical Conduct for Directors & Senior Management.

10. Board Conflicts of Interest

Ganaraska Credit Union Directors are expected to avoid any action, position or interest that conflicts, or appears to conflict, with the interests of Ganaraska Credit Union. The Board has procedures in place to identify, assess and resolve conflicts of interest. A Director who has a material personal interest in a matter relating to the affairs of the Credit Union is required to notify and declare a conflict-of-interest to the Board.

11. Risk Management

The Board is responsible for directing the management of the business affairs of the Credit Union. The Credit Union is in the business of accepting and managing risk as a normal part of their day-to-day business. It is the Board's responsibility to ensure that qualified and competent management is appointed to implement appropriate risk measurement techniques and risk procedures without directly managing or being involved in the day-to-day activities of the Credit Union.

The Credit Union is required to comply with DICO's By-law #5 and has established an appropriate Enterprise Risk Management framework that encompasses all potential risk areas that a Credit Union may face. The Credit Union's Audit Committee is responsible to monitor the effectiveness of the Credit Union's risk management. The Credit Union's Audit Committee is an integral part of the overall framework of corporate governance. Together with senior management, internal and external auditors, it provides the Credit Union with financial and risk oversight.

12. The Board and Compensation

The Credit Union's compensation program rewards individual contributions, reflects market competitiveness and is grounded in fiscal responsibility and prudence. Guided by principles, the CEO is responsible for staff remuneration. The Board is specifically responsible for reviewing the remuneration package of the CEO. The Board regularly and formally evaluates the performance of the CEO against specific performance objectives ensuring competitiveness with respect to annual remuneration. The Board is also responsible for its own annual remuneration. The CEO periodically supplies the Board with compensation surveys with respect to annual compensation for Credit Unions of comparable size and complexity.

2020 Board Meeting Attendance

| | JAN | FEB | MAR | AGM | APR | MAY | JUN | JUL | AUG | SEPT | OCT | NOV | DEC |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|
| Wendy Giroux | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Evelyn Vander Mey | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Darlene Robertson | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Peter Dounoukos | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lynda Kay | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dianne Huffman | ✗ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rob O'Neil | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ron Wiebe | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Todd Wilson | ✓ | ✓ | — | ✓ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | ✓ | ✓ |

AGM = Annual General Meeting

✗ = Absent

— = No meeting

N/A = Not on Board

2020 Special Board Meetings

| | JUN | AUG | AUG | AUG | OCT |
|-------------------|-----|-----|-----|-----|-----|
| Wendy Giroux | ✓ | ✓ | ✓ | ✓ | ✓ |
| Evelyn Vander Mey | ✓ | ✓ | ✓ | ✓ | ✓ |
| Darlene Robertson | ✓ | ✓ | ✓ | ✓ | ✓ |
| Peter Dounoukos | ✗ | ✓ | ✓ | ✓ | ✓ |
| Lynda Kay | ✓ | ✓ | ✓ | ✓ | ✓ |
| Diane Huffman | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rob O'Neil | ✗ | ✓ | ✓ | ✓ | ✓ |
| Ron Wiebe | ✗ | ✓ | ✓ | ✓ | ✓ |
| Todd Wilson | N/A | N/A | N/A | N/A | N/A |

2020 Audit Committee Meetings

| | MAR | APR | SEPT | DEC |
|-------------------|-----|-----|------|-----|
| Peter Dounoukos | ✓ | ✓ | ✓ | ✓ |
| Wendy Giroux | ✓ | ✓ | ✓ | ✓ |
| Evelyn Vander Mey | ✓ | ✓ | ✓ | ✓ |
| Dianne Huffman | ✓ | ✓ | ✓ | ✓ |
| Lynda Kay | X | ✓ | ✓ | ✓ |
| Darlene Robertson | ✓ | ✓ | ✓ | ✓ |
| Ron Wiebe | X | X | ✓ | ✓ |
| Rob O'Neil | X | X | ✓ | ✓ |
| Todd Wilson | X | X | X | ✓ |

2020 Governance Committee Meetings

| | MAR | APR | SEPT | DEC |
|-------------------|-----|-----|------|-----|
| Lynda Kay | ✓ | ✓ | ✓ | ✓ |
| Wendy Giroux | ✓ | ✓ | ✓ | ✓ |
| Evelyn Vander Mey | ✓ | ✓ | ✓ | ✓ |
| Dianne Huffman | ✓ | ✓ | ✓ | ✓ |
| Rob O'Neil | ✓ | ✓ | ✓ | ✓ |
| Ron Wiebe | ✓ | ✓ | ✓ | X |
| Todd Wilson | ✓ | N/A | N/A | N/A |

Director 2020 Compensation

| | Q1 | Q2 | Q3 | Q4 | TOTAL |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Wendy Giroux | \$1,600 | \$2,400 | \$3,350 | \$2,650 | \$10,000 |
| Evelyn Vander Mey | \$1,600 | \$1,750 | \$2,600 | \$1,950 | \$7,900 |
| Darlene Robertson | \$1,100 | \$1,425 | \$2,225 | \$1,625 | \$6,375 |
| Peter Dounoukos | \$1,225 | \$1,400 | \$2,100 | \$1,800 | \$6,525 |
| Lynda Kay | \$1,400 | \$1,800 | \$2,600 | \$2,000 | \$7,800 |
| Dianne Huffman | \$1,900 | \$1,500 | \$2,300 | \$1,700 | \$7,400 |
| Rob O'Neil | \$1,100 | \$1,300 | \$2,100 | \$1,700 | \$6,200 |
| Ron Wiebe | \$1,100 | \$1,300 | \$2,100 | \$1,500 | \$6,000 |
| Todd Wilson | \$1,100 | \$0 | \$0 | \$900 | \$2,000 |
| TOTAL | \$12,125 | \$12,875 | \$19,375 | \$15,825 | \$60,200 |

*Directors are remunerated at \$200 per Meeting, Committee Chairs at \$250 per Meeting. The Credit Union Committee Chairs also receive an additional \$3,000, the Board Chair receives an additional \$5,000, Vice Chair \$3,000 and Corp Sec received an additional \$2,500 per year.

13. 2020 Board of Director Activity

The Board ended 2020 with three (3) Committees; the Audit Committee chaired by Director Peter Dounoukos, the Executive Committee chaired by the Credit Union's Chair Wendy Giroux and the Governance & Human Resource Committee chaired by Director Lynda Kay.

The Credit Union's 75th Annual General Meeting (AGM) was held virtually on Monday, April 21st, 2020 at 1 p.m.





17 Queen St, Port Hope L1A 2Y8
57 Albert St, Cobourg K9A 2P8
823 Park St. S, Peterborough K9J 3T9

905.885.8134 ■ 800.374.1717
www.ganaraskacu.com