



PROSPERA
CREDIT UNION

Governance Report
2020

prospera
CREDIT UNION

TOGETHER, WE'RE
**FUTURE
STRONG**

Supporting members



Doug
Owner, Karl's Meats

[Watch the video](#)

My father started Karl's Meats back in 1966. It's in the family and I'm a fifth-generation meat cutter. I get a lot of pride from customers calling me with positive feedback. A partner like Prospera was great to have during COVID-19. We've been banking with them for 20+ years!

MESSAGE FROM PROSPERA'S BOARD OF DIRECTORS

January 1, 2020 marked the successful amalgamation of our 75-year old predecessor organizations (“legacy Prospera Credit Union and Westminster Savings Credit Union”) and the creation of an eight-member Board of Directors (“board”) to support the integration journey and deliver on our merger commitments.

A key milestone for the board was bringing together selected members of the two legacy boards with two external board members to form one cohesive unit equipped to deliver effective oversight on day one of the amalgamation. Extensive work was undertaken by the board prior to day one to ensure a comprehensive governance framework was in place to facilitate the effective oversight of the organization. The board worked with an external governance consultant to set its expectations as a board and foster a dynamic that would support a high performing and effective team, and governance structure.

The board began the year with a clear mandate focused on integration and the development of a new strategic plan. At the start of the first quarter, the board immediately initiated work to develop a new Risk Appetite Statement and an Enterprise Risk Management framework to act as the foundation by which the board will oversee and monitor the credit union’s risk profile. The framework provides a mechanism for the organization to identify, measure and mitigate its risks. Additionally, during the first quarter of 2020 the board, together with management, initiated the strategic planning process with the assistance of an external strategy consultant.

By March of 2020, the board and management were compelled to shift gears to mitigate the escalating impact of the pandemic on our business, employees and members. In response to COVID-19, the board transitioned its in-person board and committee meetings to a virtual platform and increased its meeting frequency with management, particularly the president and chief executive officer (“CEO”), to enable a robust oversight framework, especially during the early stages of the pandemic. In addition to the extra meetings, the board reviewed weekly dashboards to closely monitor the impact of COVID-19 on the business and the members and provide its guidance as the pandemic continued to unfold.

Under the leadership of the board, management worked to create and implement new products and amend policies and procedures to mitigate the negative financial impacts of COVID-19 on members and to ensure the safety of all employees, particularly, our essential workers. The board, through its Governance and Conduct Review Committee (“GCRC”), considered ways to support the efforts of management and as a result, approved various cost-saving strategies to reduce board expenses, and most notably, approved a 20% reduction in its board compensation. The board also applied the reduced meeting fee rate (conference call rate) to its virtual meetings for the remainder of 2020. This resulted in a cost-savings of \$48,427 for the credit union.

As management continued to mitigate the risks associated with the pandemic, the board provided its oversight and leadership to enable management to make strategic and informed decisions. These strategic decisions provided the credit union with the financial stability it needed to sustain the risks and uncertainty caused by COVID-19 on the operations of the credit union. They also allowed management to re-invest in the business and provide thoughtful solutions to members facing extreme hardships due to the impact of COVID-19.

As the credit union adjusted to the new pandemic environment, the board remained focused on its mandate. Through its Integration Committee and other various committees, the board provided robust oversight and steered management to achieve several integration milestones which included leveraging synergies resulting from the amalgamation. The board continued to evolve its governance and oversight accountabilities through the review, harmonization, and creation of credit union policies to ensure alignment to the credit union’s Risk Appetite Statement and Enterprise Risk Management framework.

By mid-2020, the strategic planning process was fully under way, with the board setting an extremely ambitious timeline for the development and approval of the strategic plan by the end of 2020. The board and management held numerous strategic planning sessions throughout the year, which also included one-on-one director sessions with the

external strategy consultant to drive the planning process. The board and management worked together to develop the first strategic plan for the new organization, which was based on our merger commitment to create an even stronger credit union and address the social and economic realities of the COVID-19 pandemic. With that in mind, the board approved its first strategic plan on December 11, 2020, formalizing the direction of the organization for the next four years and delivering on another key integration objective. This strategic plan provides a shared focus for the organization and will build the foundation for Prospera's continued success.

In June 2020, the board held a member webinar to present the audited financial statements for the year ended December 31, 2019 for each predecessor credit union. As a result of the amalgamation, legislation did not require the board to hold an Annual General Meeting in 2020; therefore, the webinar was held to provide members with both a review of the 2019 audited financial statements and the opportunity to ask questions related to those financial statements.

In the fall, the board continued to deliver on key integration objectives by engaging an external consultant to review the compensation philosophy and compensation plan for all employees to establish equity within the organization's workforce. The compensation harmonization project was a key deliverable for 2020, which ensured that the compensation of employees was within external market ranges and that the review did not negatively impact employees. As an extension of this work, the independent consultant also conducted a review of the board's compensation philosophy and plan to ensure alignment with the organization's overall philosophy and market position. As a result of the review and the market data presented, the board approved a new board compensation plan in December to take effect January 1, 2021.

In October, the Nominations Committee ("the committee") of the board engaged an independent governance expert to manage the 2021 director nominations process. In partnership with the governance expert, the committee launched its call for director nominations, which resulted in a high degree of interest by the members. By the close of the nominations period on November 20, 2020, the committee had received eight completed nomination applications. The committee, led by the independent governance

expert, underwent an extensive evaluation and interview process that included a methodology to preserve transparency and ensure the equitable treatment of all prospective candidates. This extensive process resulted in five candidates seeking election to the board in 2021, three of whom are being recommended by the committee.

While 2020 presented many challenges and distractions, the board consistently maintained its focus and its rigorous oversight to deliver on numerous integration objectives and provide leadership throughout the pandemic. The board and management worked in partnership to ensure that the safety of employees and members was paramount, and that the financial needs of members were being addressed in the best manner possible in a challenging COVID environment. The board is especially proud of the organization's response to COVID-19. Management, employees, and members have all worked together to mitigate the negative impacts of the pandemic and position the credit union for the future.

The success of 2020 could not be achieved without the dedication of each board member. The board attained an attendance rate of 98% for all board and committee meetings throughout the year, inclusive of the additional board and committee meetings added to support the COVID-19 response, integration process, and the director nominations process.

Moving forward, the board will continue to focus its activities on completing the integration process and on achieving our strategic priorities, while ensuring that the credit union remains financially sound and well positioned to deliver the exceptional products and services that our members have come to expect and deserve.

On behalf of the Board of Directors,



Art Van Pelt, *Chair*

April 2021

Governance principles

The board has adopted the Governance Guideline, issued in September 2013 by the BC Financial Services Authority (“BCFSA”), as a primary assessment tool of its governance practices. The Governance Guideline sets out BCFSA’s expectations of all British Columbia credit unions to practice sound governance and aims to assist the board with the exercise of its oversight function to ensure the sustainability of our credit union and to protect the interests of credit union members. It also sets out the principles and standards of sound governance practices to assist the board in the exercise of their duties and obligations. Principles form the foundation for good governance and standards are the specific policies and procedures that are in place to achieve the objective of each principle. The principles of each area of governance to which our board measures itself are set out below.

Risk appetite

By approving a written risk appetite, the board ensures that the credit union only takes on risks that are within its capabilities to manage. The credit union’s risk appetite outlines the amount and type of risk a credit union is willing to accept in order to pursue its strategic planning and in managing the ongoing operations of a credit union. It also drives the credit union’s culture by embedding itself in functions and business activities at all levels.

Strategy, planning and performance

The board sets and approves the credit union’s strategic plan and monitors the organization’s performance against this plan. The approval process involves a thorough discussion of the advantages and disadvantages of possible strategic directions and includes challenging assumptions and identifying risks for each option. The strategic plan is connected to a credit union’s risk appetite and sets out goals, objectives, timelines and performance indicators that are clear and specific enough to allow for effective monitoring and reporting of the credit union’s performance to members and stakeholders.

Risk governance framework

The board’s role is not to minimize risk, but rather to fully understand the credit union’s risk exposure and to ensure the processes and systems that are in place to control risk are appropriate given the credit union’s strategic plan and operating environment.

A risk governance framework is the set of tools, policies and processes that a credit union has in place to identify, measure, manage and guide the amount of risk the credit union is willing to accept in the pursuit of its strategic objectives. The board’s role is to ensure a credit union’s risk governance framework is:

- Comprehensive
- Adequately resourced
- Forward looking
- Informative
- Strategic
- Responsive
- Effective
- Monitored and communicated

Assembling an effective team

A credit union’s success is determined by its talent and its culture. Talent is a function of education, skill and experience, and culture is a function of values and behaviours. Talent and culture at the board, management and employee levels reinforce each other to develop a strong credit union.

Accountability and disclosure

Credit unions are unique among financial institutions due to the cooperative principles that underpin their formation and inform their decision making. Amongst these principles, democratic values, member accountability and community engagement are balanced with economic priorities to ensure a strong sustainable credit union. A credit union’s democratic control structure can either create or reduce risk depending on the degree to which the members take an active interest in the safety, stability and sustainability of the credit union as owners.

Disciplined practices, enhanced disclosure and measuring Prospera’s activities against industry guidelines all help to strengthen Prospera’s position at the forefront of credit union governance practices in Canada.

The board confirms that the credit union is aligned with the principles and standards of sound governance practices in accordance with BCFSA’s Governance Guideline.

Governance standards

Ethics and principles

Prospera recognizes the importance of adhering to top quality corporate governance standards. The credit union has developed corporate governance policies and procedures, which are monitored and reviewed by management and the board on a regular basis. It has adopted a best-practice approach to its corporate governance initiatives.

The board believes that strong corporate governance is essential to delivering value for members and it takes direct responsibility for monitoring the development of and compliance with corporate governance standards. In fulfilling its responsibilities, the board annually reports to its member owners on governance practices and adherence to governance standards.

Board of Directors

The board is expected to act in a manner that protects and enhances the value of the credit union in the interest of all members. Each director is responsible for exercising independent judgment with honesty and integrity, while adhering to policies and procedures, and statutory and regulatory requirements.

The board is responsible for overseeing the management of Prospera. While retaining oversight responsibility, the board delegates responsibility for the management of the credit union to the CEO.

Composition of the board

Pursuant to the credit union Rules, the number of directors has been set at nine. There is currently a vacancy on the board which will be filled through the 2021 directors' election.

Directors are elected by the members or by acclamation, with results announced at the Annual General Meeting. Directors are elected for three-year terms. For the purposes of continuity, the term of office of three directors expires each year.

Independence of the board

All directors are unrelated and independent. In support of director independence, the board holds in-camera sessions during every regularly scheduled board and committee meeting without management present.

Responsibilities of the board

The principal responsibilities of the board are described in its terms of reference and include reviewing and approving the vision, mission and strategic plan, the annual operating plan and budgets, and the financial statements and regulatory filings of the credit union. The board also monitors the performance of the CEO, the credit union's progress toward achieving its strategic initiatives, business risks, and compliance to policy and legislation. The board is also responsible for managing its own affairs, such as electing its chair, appointing/electing its committees and their chairs, evaluating its performance, and establishing board and committee processes.

Responsibilities of the chair of the board

The chair provides strong leadership to the board to ensure the board carries out its responsibilities effectively and fulfills its fiduciary obligations to Prospera, its members, and all stakeholders under the law. The chair performs key duties as described in the chair's terms of reference, which includes setting the board agenda, working productively with the CEO, and leading the board in reviewing and monitoring the progress of the strategic plan and the achievement of its objectives. The chair is responsible for setting the tone at the board table and establishing a culture of active and constructive board engagement and teamwork.

Review of the board

Under the direction of the chair of the board and the chair of the Governance and Conduct Review Committee, the board annually conducts an evaluation of the performance of the board, its committees, and chairs. The evaluation also includes individual director evaluation on a biennial basis.

The board and each board committee reviews the evaluation summary report and as appropriate, implements changes in accordance with the report recommendations. The board sets annual objectives for itself and monitors its performance.

Governing legislation and regulation

The credit union is established pursuant to the *Credit Union Incorporation Act* (“CUIA”) of British Columbia. It is regulated by the BCFSa. Key legislation includes the CUIA, the *Financial Institutions Act* and the *Business Corporations Act*. It is a requirement of the legislation that the credit union provides monthly, quarterly and annual reports and filings, and such other reports to the BCFSa as may be requested.

Subsidiaries

The credit union has seven wholly owned subsidiary companies. The board of the credit union authorizes the establishment of subsidiaries and appoints the directors of each subsidiary. Currently directors of each subsidiary are management and therefore not independent. The board of directors of each subsidiary is accountable and provides regular reporting to the board of the credit union.

413297 B.C. Ltd.

Mercado Capital Corporation (MCC) (Mercado Financing Ltd., is a wholly owned subsidiary of MCC)

Prospera Holdings Ltd.

Prospera Insurance Agencies Ltd.

Prospera Technologies Inc.

WS Leasing Ltd.

Westminster Savings Financial Planning Ltd.

Supporting our members



Sharon
Owner, Sharon Perry
& Associates

I love the personal connection that I have with my personal and business advisors at Prospera. They took the time to get to know me and my business, and they are always available to answer my questions or help with issues I might be having.

Board committees

The board has standing committees that are responsible for carrying out both legislated and delegated functions. All board committees comprise directors only and all directors are independent. The committees meet regularly throughout the year and are required to provide timely and regular reports to the board. Each committee is also required to provide an annual written report confirming that all duties and responsibilities have been discharged.

The board delegates certain governance responsibilities to the following five standing committees:

- Audit Committee
- Governance and Conduct Review Committee
- Nominations Committee
- People Experience Committee
- Risk, Investment and Loan Committee

In addition, the board established the Integration Committee to oversee the integration process of the newly amalgamated Prospera. The Integration Committee's term began on the effective date of amalgamation, January 1, 2020, and will end on the successful integration of the two legacy organizations as determined by the board.

All committees are comprised of four directors, except for the Nominations Committee whose membership consists of the six directors whose terms of office are not expiring at the close of the next Annual General Meeting. The board chair is a member of the People Experience Committee and is an ex-officio member of all other committees.

Audit Committee

The Audit Committee has oversight responsibility for financial reporting, internal and external audit processes, internal controls and management information systems. The Audit Committee is responsible for reviewing

internal and external audit procedures, and reports arising from audits and examinations. The Audit Committee meets directly with both the internal auditor and the external auditors, with and without management present. The Audit Committee provides a report to members at the Annual General Meeting.

Governance and Conduct Review Committee

The Governance and Conduct Review Committee has oversight responsibility for board governance, including the annual board evaluation process, director compensation, and governance practices. In addition, the Governance and Conduct Review Committee is responsible for periodic reviews and recommendations regarding the credit union Rules and also has responsibility for monitoring compliance with the credit union's policies with respect to conflicts of interest, related parties and confidentiality, plus such other duties as may be prescribed by statute. The Governance and Conduct Review Committee provides a report to members at the Annual General Meeting.

Integration Committee

The Integration Committee has oversight of the integration process of the two legacy organizations, including delivering on the commitments made during the merger process, overseeing the integrated planning process framework, and addressing challenges and opportunities arising from the amalgamation and the integration process. The Integration Committee also maintains financial oversight of integration costs and synergies ensuring integration spend is being managed in accordance with the board approved annual operating plan.

Nominations Committee

The Nominations Committee has oversight responsibility for the nomination and election of directors ensuring rigorous and transparent procedures in accordance with the credit union Rules and applicable legislation. The Nominations Committee is responsible for maintaining the integrity of the

nomination and election process and acts independently from the board. The Nominations Committee reviews all nominees, having regard for the competencies and skills required of the board and all other requirements for nomination, confirms the eligibility and qualifications of the nominees, determines a process and methodology for interviewing the nominees and submits to the membership a list of all qualified candidates. The Nominations Committee also may recommend candidates. The Nominations Committee provides a report to members at the Annual General Meeting.

People Experience Committee

The People Experience Committee is responsible for overseeing the compensation philosophy, policies, and programs to ensure that they support the credit union’s business strategy. It also assesses the performance of the CEO and determines his compensation. The People Experience Committee’s role includes oversight of the employee pension plans, CEO succession planning and monitoring the maintenance of an

effective management succession plan for the organization. Duties include appointments of the plan’s trustee, actuary and investment manager. The People Experience committee also oversees the Pension Committee’s (internal management committee) administration of the employee pension plans and is accountable for the approval of the Prospera Employee Pension Plan’s audited financial statements.

Risk, Investment and Loan Committee

The Risk, Investment and Loan Committee has oversight responsibility for lending and investment activities in accordance with the credit union’s lending and investment policies. This includes reviewing and recommending to the board changes to these policies, monitoring performance against the policies, approving loans that exceed management limits, authorizing write-offs and such other duties as may be prescribed by statute. The Risk, Investment and Loan Committee also has oversight of Prospera’s Enterprise Risk Management framework and is responsible for monitoring the credit union’s risk profile, including compliance with the risk framework and policy.

COMMITTEE COMPOSITION FOR 2020

Audit	Risk, Investment and Loan	People Experience	Governance and Conduct Review	Nominations	Integration
Rita Virk, <i>Chair</i>	Colin MacKinnon, <i>Chair</i>	Catherine Roome, <i>Chair</i>	Stacey Crawford, <i>Chair</i>	Rod Thomson, <i>Chair</i>	Eric Nadin, <i>Chair</i>
Stacey Crawford	Eric Nadin	Stacey Crawford	Gina Arsens	Gina Arsens	Gina Arsens
Colin MacKinnon	Rod Thomson	Colin MacKinnon	Catherine Roome	Eric Nadin	Colin MacKinnon
Eric Nadin	Rita Virk	Art Van Pelt	Rod Thomson	Catherine Roome	Art Van Pelt
Art Van Pelt (<i>ex-officio</i>)	Art Van Pelt (<i>ex-officio</i>)		Art Van Pelt (<i>ex-officio</i>)	Art Van Pelt	
				Rita Virk	

Corporate governance disclosure

DIRECTOR BACKGROUND AND COMPENSATION DISCLOSURE

The Prospera board consists of eight independent directors who are ultimately responsible for the stewardship of the credit union and oversight of its risks and financial performance.

As of December 31, 2020, the directors of Prospera are:

Art was first elected as a director of Westminster Savings Credit Union (the predecessor entity) in 2013 and became chair of the board in 2018. Art is a seasoned human resource professional with more than 35 years of experience. As the former vice president for people at Overweitea Food Group, he has extensive experience managing compensation, payroll, pensions and benefits, health and safety, disability claims, recognition, training, succession planning and labour relations.

Art has been a credit union member since 1984.

He has served as a director on various boards throughout his career, including the Canadian Grocery HR Council and Alouette Addictions Services Society. He is secretary and lead management trustee of the United Food and Commercial Workers Industry Pension Trust, member of the Pacific Gateway Infrastructure Fund Advisory Committee, member of the Fengate Brownfield Fund Advisory Committee, and past chair of Ridge Meadows Hospital Foundation.

Art holds a BA with a major in business administration and economics from Simon Fraser University. He is a Chartered Professional in Human Resources and a member of the Institute of Corporate Directors. Art is a graduate of the ICD – Rotman Directors Education Program (ICD.D) Corporate Governance College.



ART VAN PELT
Chair, Director

Director Since	2013	Current Term Expires	2022
Board Positions	<ul style="list-style-type: none"> • Member of the People Experience Committee, Integration Committee and Nominations Committee • Board member of the Westminster Savings Foundation • Ex-officio member of the Audit Committee, Risk, Investment and Loan Committee and Governance and Conduct Review Committee 		



ERIC NADIN
Vice Chair

Eric Nadin was first elected as a director of Prospera Credit Union (the predecessor entity) in 2011 and served as chair of the board from 2018 to 2019. He chaired several committees during his tenure, including Human Resources, Governance & Conduct Review, and the CEO Search Committee, and has been a member of the Audit, Risk Management/Investment & Lending Committee, Community Relations Committee and the Joint Merger Integration Committee and Joint Merger Communications Committee.

Eric retired in 2015 following a 35-year career as a professional engineer, his last role as senior manager-general manager of construction services for BC Hydro. He has served on corporate and not-for-profit boards of directors and holds the ICD.D designation from the Institute of Corporate Directors.

Director Since 2011 **Current Term Expires** 2023

Board Positions

- Chair of the Integration Committee
- Member of the Audit Committee, Risk, Investment and Loan Committee, and Nominations Committee
- Board member of the Westminster Savings Foundation



GINA ARSENS
Director

Gina Arsens is a CPA and CA and also holds the designation of Chartered Business Valuator. From 2016 to late 2018, she was the global finance leader for Finning Digital within Finning International. Since late 2018, she has acted as the chief financial officer of Canada's Digital Technology Supercluster. Her background includes roles as a CEO, CFO and small business owner.

Gina has experience in digital transformation, particularly as it relates to the need to get buy-in from the people who will be using new technology in order for it to be successfully implemented. She is a long-time credit union member and was a board member of YWCA Metro Vancouver from 2012 to 2018.

Director Since 2020 **Current Term Expires** 2023

Board Positions

- Member of the Governance and Conduct Review Committee, Integration Committee and Nominations Committee



STACEY CRAWFORD
Director

Stacey Crawford was first elected as a director of Prospera (the predecessor entity) in 2012 and served as chair of the board of directors from 2015-2018. He represented Prospera on the Joint Merger Team and served as the chair of Prospera’s Nominations & Elections Committee, Member & Community Relations Committee, Governance & Conduct Review Committee and was a member of the Audit, Human Resources, Joint Merger Integration, Joint Merger Communications, and CEO Hiring Committees. He is currently serving as the chair of Prospera’s Governance & Conduct Review Committee.

Since 2009, Stacey has been the economic development officer for the District of Mission. He holds the CCD designation from the Rotman School of Management as a Certified Credit Union Director and has received his ICD.D designation, having completed the Directors Education Program (Institute of Corporate Directors) in April 2019. He has a long track record as an active volunteer in his community, having served as a director on several community associations.

Director Since 2012 **Current Term Expires** 2021

- Board Positions**
- Chair of the Governance and Conduct Review Committee
 - Member of the Audit Committee and the People Experience Committee



COLIN G. MACKINNON
Director

Colin G. MacKinnon was first elected as a director of Westminster Savings (the predecessor entity) in 2018 and has chaired the Nominations Committee and served as a member of the Audit & Risk Committee, Investment & Loan Committee, Joint Merger Integration Committee and Joint Merger Communication Committee.

He is a chartered professional accountant (FCPA, FCA) and holds the ICD.D designation from the Institute of Corporate Directors. In addition, he holds a BSc (Chemistry) and MBA from the University of British Columbia.

Colin has more than 40 years of experience in senior executive management roles, with a focus on corporate finance, strategic planning and risk management. From 1996 until his retirement in 2013, he was with the British Columbia Automobile Association in several senior roles, including SVP & CFO, SVP & CRO and corporate secretary. He is very active in the community serving on several not-for-profit boards of directors, including Special Olympics and Westminster Savings Foundation.

Director Since 2018 **Current Term Expires** 2021

- Board Positions**
- Chair of the Risk, Investment and Loan Committee
 - Member of the Audit Committee, People Experience Committee and Integration Committee



CATHERINE ROOME
Director

Catherine Roome is president and LEO (lead executive officer) of Technical Safety BC, an independent self-funded organization which is mandated to oversee the safe installation and operation of technical systems and equipment across British Columbia.

Catherine first served as vice president, engineering when she joined BC Safety Authority in 2005, becoming LEO in 2012. Catherine is a courageous futurist. She is a leader in the algorithmic economy where predictive insights are used to create long-term social and financial value.

Catherine has served and continues to serve as a director on community boards in addition to being a long-standing credit union member. Most recently she was named one of 2018 Canada's Most Powerful Women by the Women's Executive Network and one of BC's Most Influential Women 2018: Stem Stars by BC Business. A registered Professional Engineer and a graduate of the University of Victoria, Catherine's further education includes ICD-Rotman, Harvard Business School and Stanford Graduate School of Business.

Director Since 2020 **Current Term Expires** 2022

Board Positions

- Chair of the People Experience Committee
- Member of the Governance and Conduct Review Committee and Nominations Committee



ROD THOMSON
Director

Rod Thomson was first elected as a director of Prospera (the predecessor entity) in 2018 and served as a member of the Audit and Human Resources Committees. From 2009 until 2018, he was a small business owner and client of Prospera.

He has a long history in publishing and marketing. His philanthropic work includes serving on the boards of directors of St. Andrews Hall for six years, including a stint as chair of the board of directors, and University of the Fraser Valley for six years, where he also served as the chair of the board of directors. He is also very active in Rotary.

Director Since 2018 **Current Term Expires** 2023

Board Positions

- Chair of the Nominations Committee
- Member of the Risk, Investment and Loan Committee and Governance and Conduct Review Committee
- Board chair of the Westminster Savings Foundation



RITA VIRK
Director

Rita Virk was first elected as a director of Westminster Savings (the predecessor entity) in 2018 and served as a member of the Audit & Risk Committee, Nominations Committee and as chair of the Westminster Savings Foundation. She is a CPA, CA and has a Master of Professional Accounting degree. She has extensive experience in financial reporting and analysis, risk management, and internal audit. She has practiced in a wide range of industry sectors, including oil and gas, insurance, biotechnology, mining and technology.

Among her other activities, Rita sits on the South Asian Committee for BC Children’s Hospital Foundation. She also served on the Fraser Health Patient Care Quality Review Board from 2015 to 2018.

Director Since	2018	Current Term Expires	2022
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Board Positions

- Chair of the Audit Committee
- Member of the Risk, Investment and Loan Committee and Nominations Committee
- Board member of the Westminster Savings Foundation



While 2020 presented many challenges and distractions, the board consistently maintained its focus and its rigorous oversight delivering on numerous integration objectives and providing leadership throughout the pandemic.

— Art Van Pelt, Chair

COMPENSATION PHILOSOPHY

Prospera has a long history of high-quality service and consistent financial performance that carefully balances the needs of the members with prudent fiscal management. The board represents the members and provides critical stewardship through guidance and oversight.

Prospera believes that better boards produce better results, and that better boards are made up of dedicated and competent members. A director in a modern credit union must possess the skills and expertise relevant to the strategic initiatives of the credit union in an increasingly complex environment. Directors spend considerable time and effort carrying out their duties with due care and diligence against a backdrop of potential exposure to financial, reputational and personal risk.

Having just completed a merger, it is vitally important that Prospera attract and retain qualified directors to provide the proper oversight and stewardship through the integration of the predecessor credit unions. There is competition for skilled directors and appropriate director compensation is seen as a key component to ensuring that the board attracts qualified candidates.

Accordingly, Prospera has adopted the following board compensation philosophy:

The level of compensation paid to Prospera directors is at the median of large urban credit unions in Canada.

The board's compensation philosophy is reviewed annually by the Governance and Conduct Review Committee.

Compensation plan

The members of Prospera may approve by resolution at an Annual General Meeting, an aggregate amount that is available for the compensation of directors. Currently, the aggregate amount available for the annual compensation of directors is \$500,000.

The total compensation paid to directors for 2020 was \$292,223.24.

COMPENSATION STRUCTURE FOR 2020

Position	Annual Amount (Jan 1 – April 30, 2020)	Reduced Annual Amount ¹ (May 1 – Dec 31, 2020)
Board Chair	\$50,000	\$40,000
Vice Chair	\$25,000	\$20,000
Director	\$20,000	\$16,000
Committee Chair	\$3,000	\$2,400
RILC Committee Chair	\$5,000	\$4,000

¹ Reflects the 20% reduction the board approved as part of its cost saving strategy in response to COVID-19

In addition to the annual amounts noted above, directors are entitled to compensation for attending various meetings as follows:

Meeting	Fee (Jan 1 – Mar 3, 2020)	Reduced Fee ² (April 1 – Dec 31, 2020)
Board meetings or planning seminars		
In person	\$600	\$480
Conference call < 1 hour	\$300	\$240
Conference call > 1 hour	\$500	\$400
Board committees		
In person	\$500	\$400
Conference call < 1 hour	\$250	\$200
Conference call > 1 hour	\$400	\$320
Orientation	\$400	\$320
Credit union delegate - industry-related meetings	\$400	\$320
Credit Union Director Achievement (CUDA®) Program (full day)	\$400	\$320

² Reflects the 20% reduction the board approved as part of its cost saving strategy in response to COVID-19

The board's compensation plan is reviewed every three years by the Governance and Conduct Review Committee which may, from time to time, retain the services of an independent consultant.

Board compensation and attendance for 2020 can be found on pages 16 and 17.

Expenses

Reasonable expenses incurred by the board in performance of their duties as a director of Prospera are eligible for reimbursement in accordance with the Directors Compensation, Benefits and Expenses Policy. Expenses eligible for reimbursement include director development programs, flights, accommodations and meals. Expenses must be consistent with the values and employee policies of Prospera and not perceived as excessive. Directors are required to provide receipts for expenses they incur in order to be reimbursed.

In addition, the board as a group incurs expenses during the performance of their duties as a board. These expenses include engaging consultants to provide guidance and expertise on a variety of matters

INDIVIDUAL DIRECTOR AND BOARD EXPENSES FOR 2020

Director	Total Expenses	Description of Expense
Art Van Pelt, Board Chair	\$168.81	Meetings
Eric Nadin, Vice Chair	N/A	
Gina Arsens	\$1,245.00	Development – Credit Union Director Achievement Level 1 Courses
Stacey Crawford	N/A	
Colin MacKinnon	N/A	
Catherine Roome	\$1,725.00	Development – Credit Union Director Achievement Level 1 Courses
Rod Thomson	\$319.00	Development – CuSource Governing Credit Risk eClass
Rita Virk	N/A	
Board Overall	\$68,384.82	Consultant fees, meeting expenses and board development
Total Expenses	\$71,842.63	

Education

Prospera recognizes the importance of ongoing education and training for directors in order to safeguard the effective oversight of the credit union and ensure its directors understand the issues that face the credit union, the credit union system, and the financial industry. Accordingly, all first-time directors are required under BC law to complete Level A of the Credit Union Director Achievement (“CUDA[®]”) Program within 12 months of being elected to the board. All directors of Prospera have fulfilled this requirement. In addition, Prospera provides numerous opportunities for education and training, including access to publications and industry information, educational seminars for the board as a whole, industry-sponsored seminars and events, and other conferences and seminars, including an education allowance of \$15,000 per term (three years) toward the professional development of each director in their role as a director of Prospera.

All directors must complete anti-money laundering and cyber security training on an annual basis. Education sessions completed by individual directors for 2020 included governing credit risk, the economic impact of COVID-19, economic outlook forum with the Bank of Canada, COVID-19 implications for audit committees and managing directors’ and officers’ risk in a COVID-19 world.

On top of the professional development of individual directors, the board evaluates its composition and performance on an annual basis to assess the board’s operating proficiency and discover areas for improvement. On a biennial basis, an external consultant is engaged by the board to facilitate this exercise. The board evaluation process is designed to provide a means of strengthening the overall performance and effectiveness of the board.

Related party transactions involving directors (loans to directors)

Loans to directors are granted under the same terms and conditions as all other members of the credit union. In 2020, authorized and/or outstanding loans to directors totaled zero dollars and none were in arrears. There was one related party transaction involving a director during 2020.

Board and committee meeting attendance

(For details of annual compensation for board positions and meeting fees see tables on pages 15 and 16)

Director	Meeting	Attended	Excused	Total Compensation
Art Van Pelt, Board Chair	Board	13/13	-	\$59,213.32
	People Experience Committee	7/7	-	
	Integration Committee	7/7	-	
	Nominations Committee	6/6	-	
	Orientation / Training	1/1	-	
	Credit Union Delegate – Industry Related	7	-	
	Ex Officio attendance at other committee meetings	15	-	
Eric Nadin, Vice Chair	Board	13/13	-	\$39,526.68
	Audit Committee	5/5	-	
	Integration Committee	7/7	-	
	Nominations Committee	6/6	-	
	Nominations – Candidate Interviews	Full day	-	
	Risk, Investment and Loan Committee	5/5	-	
	Orientation / Training	1/1	-	
Gina Arsens	Board	13/13	-	\$30,113.32
	Governance and Conduct Review Committee	5/5	-	
	Integration Committee	7/7	-	
	Nominations Committee	6/6	-	
	Nominations – Candidate Interviews	Full day	-	
	Orientation	1/1	-	
Stacey Crawford	Board	13/13	-	\$31,773.32
	People Experience Committee	6/7	1	
	Audit Committee	5/5	-	
	Governance and Conduct Review Committee (Chair)	5/5	-	
	Orientation / Training	1/1	-	

Director	Meeting	Attended	Excused	Total Compensation
Colin G. MacKinnon	Board	13/13	-	\$36,726.64
	People Experience Committee	7/7	-	
	Audit Committee	5/5	-	
	Integration Committee	7/7	-	
	Risk, Investment and Loan Committee (<i>Chair</i>)	5/5	-	
	Training / Orientation	1/1	-	
Catherine Roome	Board	13/13	-	\$31,093.32
	People Experience Committee (<i>Chair</i>)	7/7	-	
	Governance and Conduct Review Committee	4/5	1	
	Nominations Committee	4/6	2	
	Orientation / Training	1/1	-	
	Training / Orientation	1/1	-	
Rod Thomson	Board	13/13	-	\$32,073.32
	Governance and Conduct Review Committee	5/5	-	
	Nominations Committee (<i>Chair</i>)	6/6	-	
	Nomination Candidate Interviews – Full Day	1/1	-	
	Risk, Investment and Loan Committee	5/5	-	
	Orientation / Training	1/1	-	
Rita Virk	Board	13/13	-	\$31,703.32
	Audit Committee (<i>Chair</i>)	5/5	-	
	Nominations Committee	6/6	-	
	Risk, Investment and Loan Committee	5/5	-	
	Orientation / Training	1/1	-	
Total participation rate by the board		98.42%		

CEO COMPENSATION DISCLOSURE

Prospera's total rewards are based on a pay-for-performance philosophy and are intended to attract, retain and reward employees who live the organizational values and deliver exceptional results.

Total rewards philosophy

Prospera is committed to providing a total compensation package that is aligned with our strategic direction, is competitive in the marketplace and maintains internal equity. To this end, the total compensation package comprises direct and indirect components.

Direct compensation includes base salary and incentive payments for performance at or above expected results.

Indirect compensation includes a defined benefit pension plan, health and welfare benefits, leave provisions (vacation, illness days), short and long-term disability, banking privileges, and education and career development. It may also include additional compensation through an auto allowance and parking.

Prospera maintains salary ranges that are competitive within the financial services market. Our objective is to pay at the median of the market on base salary for meeting performance expectations. The primary source of comparative market data is obtained from Central 1, Korn Ferry and Mercer and is focused on mid and large-sized credit unions primarily located within Metro Vancouver, the Fraser Valley and the Interior, and for some positions, selected comparable credit unions.

Executive compensation

Total rewards for the Executive Leadership Team, including the president and CEO, are guided by this philosophy and the People Experience Committee of the Board ("PX Committee") has provided further clarification that the market comparator is urban Canadian credit unions of similar size. Further that compensation will be set at the median of the market for each role.

CEO compensation summary

The total compensation package for the CEO is reviewed annually and approved by the PX Committee. This total package includes a base salary in line with the median of the designated comparative group and a target short and long-term cash incentive designed to reward the achievement of annual and longer term organizational performance objectives.

Short-term incentive plan

The CEO's short-term incentive ("STI") is based on a weighted combination of organizational results (75%) and individual objectives (25%); each are determined and approved annually by the PX Committee. The CEO's target STI rate for 2020 is 50% of base salary to a maximum of 75%, based on delivering exceptional performance.

The organizational results are measured based on a number of qualitative and quantitative factors that together form a balanced assessment of Prospera's success, including engaging with our members and employees, managing the overall operations and growing the credit union for long-term sustainability to provide enduring value to our membership. The individual objectives are set annually by the PX Committee with a focus on key priorities identified to achieve the credit union's strategic objectives.

Long-term incentive plan

The long-term incentive ("LTI") plan is designed to reinforce long-term sustainable growth and effective management of the credit union using quantifiable metrics over overlapping three-year periods that are approved by the PX Committee. Payment of the LTI occurs at the end of each three-year period if performance meets or exceeds performance metrics. The CEO's target LTI rate for 2020 is 50% of base salary to a maximum of 75% based on delivering exceptional performance.

2020 CEO TOTAL CASH COMPENSATION

Base Salary	STI Payout	LTI Payout	Total
\$472,947	\$251,253	\$194,128	\$918,328

Benefits and pension

The CEO participates in the same health benefit plan that is provided to all employees that includes short and long-term disability insurance benefits. In addition to participating in the non-contributory employee-defined benefit pension program, the CEO is also eligible for the pension benefits under the Supplemental Executive Retirement Plan (“SERP”). The total combined retirement benefit is determined based on 2% of final base salary average earnings for each year of credited service. As part of the market competitive perquisite program, the CEO receives an additional health benefit through an annual health assessment provided by a private health care facility (though this was not offered in 2020 due to the pandemic) and receives a monthly car allowance of \$1,400.

Other employment terms

If the CEO is terminated without cause he will be entitled to a severance based on 12 months plus one month for each year of service up to a maximum of 24 months base salary, unvested short and long-term incentive payments and an additional 25% of base salary in lieu of benefits.

If the president and CEO is terminated for cause, retires or resigns, he would not be entitled to any notice of termination, payment in lieu or severance.

A photograph of two hikers, a man and a woman, standing on a rocky mountain peak. They are both wearing backpacks and hats, and are high-fiving each other. The background shows a clear sky and distant mountains.

Corporate Information

Credit union industry directorships held by directors and officers

Colin G. MacKinnon
Stabilization Central Credit Union

Gavin Toy
Canadian Credit Union Association

Mary Falconer
Central 1 Credit Union

Corporate Counsel

Dentons Canada LLP
Vancouver, British Columbia

Auditors

KPMG LLP
Vancouver, British Columbia

Contact

Mary Falconer
Chief Financial Officer and Corporate Secretary

Corporate Head Office

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