



Westminster Savings Governance

A N N U A L R E P O R T



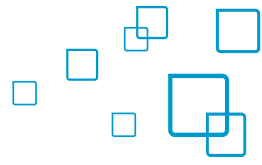
Westminster
Savings



2017



Westminster Savings



The Board of Directors is pleased to present the 2017 Annual Governance Report

This report provides commentary on our governance structure, policies and practices, and activities undertaken in 2017.

2017 was an exciting year for Westminster Savings Credit Union (Westminster Savings) with the opening of three new branches, continued implementation of our three-year strategic plan and further investment in our infrastructure to help fulfill our vision of enriching the lives of our members while at the same time positioning our credit union for future growth and success.

Throughout the year, the Board of Directors (the board) continued to provide oversight of the major investments in our infrastructure. Three new branches (Central City, Grandview Central and River District) were opened ahead of schedule. Central City opened in January 2017, followed by Grandview Central and River District in May and July 2017, respectively. Our service delivery network is a key component to achieving our strategic priorities and providing value for our members. Our members have told us that expanding our branch footprint was very important, and the board is committed to widening our reach to meet the current and future needs of our membership. The opening of the three new locations has grown our branch footprint by 25% and has significantly increased our brand presence in our marketplace, with early results exceeding our expectations.

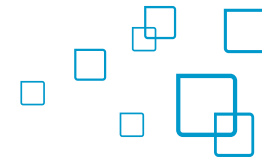
The board undertakes numerous initiatives each year to ensure that it is constantly maintaining its strong governance standards. One such initiative was the annual board evaluation exercise, which was facilitated by an external third party governance expert, as required biennially under board policy. The purpose of the comprehensive assessment was to thoroughly evaluate the operational effectiveness, governance practices and overall performance of the board, board committees and individual directors with consideration to the Governance Guideline of the Financial Institutions Commission (FICOM) of British Columbia. Following the conclusion of the assessment, the board undertook to further strengthen board and individual director development so

that knowledge and skills are regularly updated to ensure that the board continues to function effectively in the best interests of members.

The current credit union Rules, approved by members on September 23, 2015, introduced director term limits, allowing each new board member to serve a maximum of 12 years, helping to promote renewal at the board level, a fundamental standard of good governance. This led to an increased focus by the board in 2017 on succession planning and the director nomination process. A comprehensive review was undertaken with the board recognizing the continuing importance of planning for the future. Extensive consideration was given to identifying the capabilities required of potential new directors to complement existing board knowledge and experience in order to ensure that the board has, at all times, the appropriate combination of skills, experience and personal attributes to support the credit union's purpose and achieve its strategic priorities.

Following the close of the nominations period on November 30, 2017, the Nominations Committee reviewed all nominations submissions received to identify those who best fit the candidate criteria outlined in the Call for Nominations provided to all members. In order to determine the ideal candidate criteria, the committee reviewed the board competency matrix to assess the technical skills and behavioural competencies of existing board members and, taking into account experience and diversity, identified areas that would further strengthen the board. The committee then met with each qualified candidate to discuss their skills and experience, and how they each would best complement the current board competencies. As a result of this process, six candidates chose to stand for election to the board. The results of the directors election will be announced at our Annual General Meeting on April 17, 2018.

The latter part of 2017 was spent reviewing the progress of the three-year strategic plan with management to reaffirm key priorities and ensure our credit union is well positioned for future growth and success and most importantly, providing enduring value for our membership.



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

The board completed a number of other governance initiatives during 2017:

- Reviewed and approved all significant credit union policies, including Advocacy and Political Contributions, Business Ethics, Capital, Data Governance, Enterprise Risk Management (ERM), Enterprise Anti-Money Laundering and Anti-Terrorist Policy, Funding and Liquidity, Governance, Human Resources, Investment, Lending, Privacy, Spending Authority, and Wrongful Conduct;
- Reviewed the Annual Report on Enterprise Risk Management, which measures the credit union's risk management practices against the risks identified and addressed by a committee of divisional risk leaders, the executive and the board against a comprehensive risk management framework, which includes the industry-developed Standards of Sound Business and Financial Practices;
- In furtherance of its objective to strengthen board development, a third party consultant was engaged to provide a leadership program aimed at fostering a culture of excellence at the board level. As governors of Westminster Savings, the board undertook development, comparable to employees, to ensure alignment with the evolving culture of the organization as it realizes its strategic priorities and meets the current and future needs of the membership; and
- Supported director development, including ongoing education at board meetings and planning sessions, including Governance, Risk Management, and Regulations, as well as through the Institute of Corporate Directors (ICD) Education Program, a program designed to foster excellence in directors to strengthen the governance and performance of Canadian corporations and organizations. Directors Bill Brown, Darlene K. Hyde, Kathleen Kennedy-Strath, Emmet McGrath, Patty Sahota, Robert G. Shirra and Art Van Pelt are all graduates.

All directors were very attentive to their responsibilities, with more than 98% attendance for all board and committee meetings throughout the year, including committee meetings added to support the director nomination process.

In previous years, the board has referenced the Disclosure of Corporate Governance Practices and Corporate Governance Guidelines for publicly traded companies, developed by the Canadian Securities Administrators to provide a summary of governance practices utilized by your board. Although this remains relevant guidance for the board during its review process, the board has adopted the Governance Guideline, as issued by FICOM in September 2013 as a primary assessment tool.

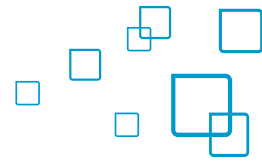
The Governance Guideline sets out FICOM's expectations of all British Columbia credit unions to practise sound governance and aims to assist the board with the exercise of its oversight function to ensure the sustainability of our credit union and to protect the interests of credit union members. The Governance Guideline 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. We are pleased to report that the credit union is aligned with the principles and standards of sound governance practices in accordance with FICOM's Governance Guideline.

Governance principle: 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 ongoing operations of a credit union, and drives the credit union's culture by embedding itself in functions and business activities at all levels.

Governance principle: strategy, planning and performance

The board sets, approves and monitors the credit union's



strategic plan and performance. 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 performance to members and stakeholders.

Governance principle: 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 that 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

Governance principle: 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 staff levels reinforce each other to develop a strong credit union.

Governance principle: accountability and disclosure

Credit unions are unique among financial institutions in the cooperative principles that underpin their formation and inform their decision making. Among these principles, democratic values, member accountability and community engagement are balanced with economic priorities to ensure a strong 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.

The board encourages members to engage with the credit union as owners by promoting disclosure and governing the credit union with a mind to the values represented by its members. Engagement with members as owners can create goodwill, contributing to a stronger member bond and a more resilient credit union.

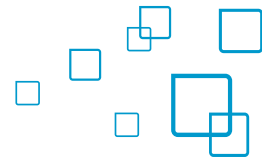
Disciplined practices, enhanced disclosure and measuring our activities against industry guidelines all help to strengthen our position at the forefront of credit union governance practices in Canada.

On behalf of the Board of Directors,

Darlene K. Hyde, *Chair*

April 2018

Governance standards



Ethics and principles

Westminster Savings recognizes the importance of adhering to superior corporate governance standards. The credit union has developed corporate governance policies and procedures, which are monitored and reviewed on a regular basis. It has adopted a best-practice approach to its corporate governance initiatives.

The Board of Directors 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 of Directors annually reports to its member owners on governance practices and adherence to governance standards.

Board of Directors

The Board of Directors 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 of Directors is responsible for overseeing the management of Westminster Savings. While retaining oversight responsibility, the Board of Directors delegates responsibility for the management of the credit union to the president and chief executive officer (CEO).

Composition of the Board of Directors

The Board of Directors comprises nine directors. The number of directors may be increased to a maximum of 15 by resolution of the Board of Directors in the event the credit union is involved in a merger or amalgamation.

Members elect directors by mail or electronic ballot, 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.

The Nominations Committee has oversight responsibility for nominations and the election of directors in accordance with the credit union Rules.

Independence of the Board of Directors

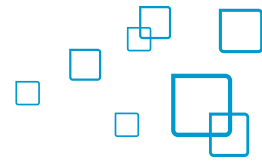
All of the directors are unrelated and independent as described in the corporate governance standards.

In furtherance of director independence, the Board of Directors holds in-camera sessions during every regularly scheduled board and committee meeting without management present.

Responsibilities of the Board of Directors

The Board of Directors provides stewardship on behalf of the members and oversees management. The principal responsibilities of the Board of Directors are described in its terms of reference and include the following:

- Managing its own affairs, such as electing the chair, selecting committees and their chairs and establishing board and committee processes;
- Determining the selection, retention, succession and compensation of the president and CEO;
- Establishing the objectives for the president and CEO, monitoring progress and conducting an annual performance review;
- Reviewing and approving the vision, purpose and strategic plan, annual operating plan and budgets;
- Monitoring business risks, including the credit union's compliance with the B.C. credit union system-adopted Enterprise Risk Management Standards of Sound Business and Financial Practices;
- Monitoring the credit union's progress toward its goals and the actions taken to achieve them;
- Approving, then monitoring compliance with all significant policies;
- Reviewing and approving financial statements and regulatory filings;



- Overseeing timely and accurate reporting to members and regulators of the credit union's performance, financial statements and significant developments;
- Approving any significant new venture; and
- Holding an annual corporate governance session to review governance policies and practices, the board evaluation summary report, activities of each board committee and the Westminster Savings Governance Policy.

Responsibilities of the chair of the Board of Directors

The chair leads the Board of Directors and performs key duties as described in the chair's terms of reference:

- Setting the board agenda, chairing board meetings, building consensus and establishing a culture of constructive teamwork;
- Leading the Board of Directors in reviewing and monitoring the progress of the strategic plan and the achievement of its objectives;
- Ensuring the Board of Directors is fulfilling its fiduciary obligations to Westminster Savings, its members and all stakeholders, under the law;
- Working productively with the president and CEO and in turn, executive management;
- Acting as the spokesperson for the Board of Directors;
- Ensuring that board duties are performed efficiently and effectively;
- Chairing member meetings; and
- Representing the credit union at industry and community functions.

Review of the Board of Directors

Under the direction of the chair of the Board of Directors and the chair of the Governance and Conduct Review Committee, the Board of Directors annually conducts an evaluation of the performance of the Board of Directors, its committees and chairs. The evaluation also includes individual director evaluation on a biennial basis with the next review scheduled for 2019.

The Board of Directors and each board committee review the evaluation summary report and as appropriate, implement changes in accordance with the report recommendations.

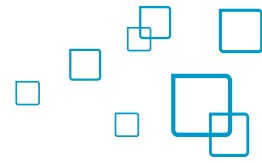
The Board of Directors sets annual objectives for itself and monitors its performance.

The Nominations Committee is responsible for evaluating the skills and expertise required by the Board of Directors and for assessing potential candidates to determine whether they have the required skills and expertise.

The Board of Directors informally reviews its own performance regularly at the end of each board meeting.

Governing legislation and regulation

The credit union is established under legislation of the Province of British Columbia. It is regulated by FICOM. Key legislation includes the *Credit Union Incorporation Act*, 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 FICOM as may be requested.



Board committees

The Board of Directors 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 Board of Directors elects the **Audit and Risk Committee**, the **Governance and Conduct Review Committee** and the **Investment and Loan Committee**. All other committees are appointed by the board chair following consultation with the Board of Directors.

The committees meet regularly throughout the year and are required to provide timely and regular reports to the Board of Directors. Each committee is also required to provide an annual written report confirming that all duties and responsibilities have been discharged.

The **Audit and Risk Committee** comprises four directors, the majority of which cannot be table officers. At least one member of the committee must also be a member of the Investment and Loan Committee. All of the members of the Audit and Risk Committee have an accounting designation and/or considerable financial experience, and meet the requirements of the guidelines published by the Chartered Professional Accountants of Canada. The committee has oversight responsibility for financial reporting, processes related to financial risks, internal controls and management information systems, reviews internal and external audit procedures, and reports statements arising from audits and examinations. The committee meets directly with both the internal auditor and the external auditor, and at least once annually meets separately with the internal auditor and external auditor without management present. The committee provides an annual report to members.

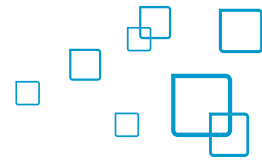
The **Governance and Conduct Review Committee** comprises four directors. The committee has oversight responsibility for board governance, including the annual board evaluation process, director compensation and governance practices. In addition, the committee is responsible for periodic review and recommendations regarding the credit union Rules. The committee 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 committee provides an annual report to members.

The **Investment and Loan Committee** comprises seven directors. At least one member of the committee must be a member of the Audit and Risk Committee and at least one member must be a table officer. The 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 of Directors changes to policy, monitoring performance against policy, approving loans that exceed management limits, authorizing writeoffs and such other duties as may be prescribed by statute.

The **Nominations Committee** comprises the directors whose terms of office are not expiring. The committee has oversight responsibility for the nomination and election of directors in accordance with the credit union Rules. The committee reviews all nominees, having regard for the competencies and skills required of the Board of Directors and all other requirements for nomination. The committee places into nomination the names of qualified members who are nominated by the committee and those who have been nominated by three members in good standing. The committee may recommend nominees. The committee provides an annual report to members.

The **Human Resources Committee** comprises four directors, one of which must be the board chair. The committee is responsible for overseeing compensation philosophy, policies and programs to ensure that they support the credit union's business strategy. It also assesses the performance of the president and CEO and determines his compensation. The committee's role includes oversight of the Westminster Savings employee pension plans. Duties include appointments of the plans' trustee, actuary and investment manager. The committee oversees the Pension Committee's responsibility for the pension plans' administration, as well as the approval of the audited financial statements.



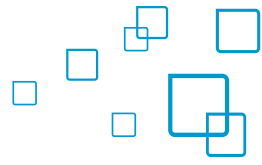
Westminster Savings subsidiaries

The credit union has three wholly owned subsidiary companies. The Board of Directors of the credit union authorizes the establishment of subsidiaries and appoints the Board of Directors of each subsidiary.

Mercado Capital Corporation (MCC) was acquired by Westminster Savings in 2007. It is an equipment financing company providing services in all provinces and territories in Canada, except Quebec. The Board of Directors of MCC (board) comprises six directors who are management and therefore not independent. The board is responsible for overseeing the activities of MCC, including approving plans and budgets, monitoring operations and evaluating performance. The board is accountable and provides regular reporting to the Board of Directors of the credit union. **Mercado Financing Ltd.**, a wholly owned subsidiary of MCC, was established in December 2011, as a funding vehicle for equipment leases. The Board of Directors of Mercado Financing Ltd. comprises six directors who are directors of MCC.

WS Leasing Ltd. (WSL) was established by the credit union in 1996. It is in the vehicle and equipment leasing business and provides services in all provinces and territories in Canada, except Quebec. The Board of Directors of WSL (board) comprises six directors who are management and therefore not independent. The board is responsible for overseeing the activities of WSL, including approving plans and budgets, monitoring operations and evaluating performance. The board is accountable and provides regular reporting to the Board of Directors of the credit union.

Westminster Savings Financial Planning Ltd. (WSFP) was established by the credit union in 2000. It provides access to life insurance products for members of the credit union. The Board of Directors of WSFP (board) comprises six directors who are management and therefore not independent. The board is responsible for overseeing the activities of WSFP, including approving plans and budgets, monitoring operations and evaluating performance. The board is accountable and provides regular reporting to the Board of Directors of the credit union.



Corporate governance disclosure

Director background and compensation disclosure

The Westminster Savings Board of Directors consists of nine independent directors who are ultimately responsible for the stewardship of the credit union and oversight of its risks and financial performance.

CURRENT DIRECTORS

As of December 31, 2017, the directors of Westminster Savings are:



Darlene K. Hyde, Board Chair (May 4 – present), Vice Chair (Jan 1 – May 4)

Director since: 2008 Director term: 2017 – 2020

Background/experience:

Darlene has extensive executive and senior management experience across Canada in a wide range of industry sectors, including telecommunications, insurance, automotive retail, energy, manufacturing, real estate development and association management. In January 2018, she was appointed Chief Executive Officer of the BC Real Estate Association, the organization that represents the province's 23,000 real estate agents.

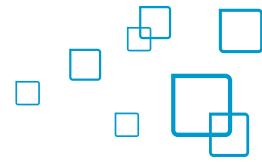
Currently, Darlene is a director and audit and risk committee chair of Stabilization Central Credit Union, chair and trustee of the Motor Dealer Customer Compensation Fund and a member of the governing board of the Insurance Council of British Columbia. Previously, she was executive director of NAIOP Vancouver Chapter, the Commercial Real Estate Development Association of Metro Vancouver and the Association of British Columbia Marine Industries. Darlene is also past chair of the Douglas College Foundation Board. Over the years, she has served on several community boards, including the Justice Institute of British Columbia Foundation, Eagle Ridge Hospital Foundation, Ottawa-based Traffic Safety Research Foundation and the Campaign Cabinet of the United Way of the Lower Mainland.

Darlene holds a BA (Honours) from McGill University, an MBA (marketing and corporate strategy) from Memorial University, is a graduate of the Directors Education Program at the Institute of Corporate Directors (ICD.D) Corporate Governance College and is an Accredited Canadian Credit Union Director (ACCUD). She also holds a CAE designation (Certified Association Executive).

Committees:

- Audit and Risk, Member (Jan 1 – May 17)
- Human Resources, Member (May 17 – present)
- Investment and Loan, Member
- Nominations, Member (May 17 – present)

The board chair, as ex officio, also attends the Audit and Risk Committee and Governance and Conduct Review Committee meetings.



Kathleen Kennedy-Strath, Vice Chair (May 4 – present)

Director since: 2007 Director term: 2016 – 2019

Background/experience:

Kathleen has 40 years of experience in health care, with 25 years in management positions, and is currently chief executive officer of Kinsmen Lodge, a care facility home to 157 seniors. Since 1991, she has worked as senior administrator and financial manager, planning, supervising and managing resources for seniors living in long-term care facilities.

Kathleen is chair of the Coast Mental Health Society (1974) and former chair of the New Westminster Public Library and New Westminster Family Place, and has also served as treasurer of the Simon Fraser branch of the Canadian Mental Health Association.

Kathleen holds a BSc from the University of Alberta, an MBA from the University of British Columbia, is a certified management accountant and a graduate of the Directors Education Program at the Institute of Corporate Directors (ICD.D) Corporate Governance College.

Committees:

- Audit and Risk, Member (May 17 – present)
- Governance and Conduct Review, Member
- Human Resources, Member (Jan 1 – May 17)
- Nominations, Chair



Bill Brown, Board Chair (Jan 1 – May 4)

Director since: 2006 Director term: 2017 – 2020

Background/experience:

Bill has extensive experience at the senior management level within the beverage industry in Canada, including serving as president of a subsidiary of Fortune Brands, Alberta Distilleries and Featherstone Limited. He brings national and international business experience to his role at Westminster Savings, with particular expertise in product marketing and program development. Bill provides business consulting services to a number of industries.

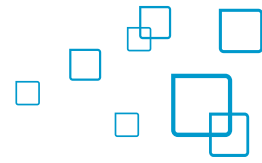
Bill is also a former member of the Port Moody Police Board and the BC Transit Police Board, and is a graduate of the Directors Education Program at the Institute of Corporate Directors (ICD.D) Corporate Governance College.

Committees:

- Audit and Risk, Member (May 17 – present)
- Human Resources, Member (Jan 1 – May 17)
- Investment and Loan, Member (May 17 – present)
- Nominations, Member (May 17 – present)

Other credit union industry appointments:

- Central 1 Credit Union, Legislative Committee
- Peer Group Five, Chair (completed service in Mar 17)



James R. Ensom

Director since: 2015 Director term: 2015 – 2018

Background/experience:

James is a retired chartered professional accountant (CPA, CA) with 35 years of experience in financial institutions, as an executive and as an independent consultant. He has extensive experience in all aspects of credit union management, including strategic planning, treasury management, credit oversight and enterprise risk management.

James has served on various boards, including First Ranch Parks Scouts, Maple Ridge Treatment Centre, Children’s House Pre-School Society and the Institute of Internal Auditors.

James’ educational credentials and designations include a BComm (Honours), Chartered Professional Accountant (CPA, CA), Certified Internal Auditor, Project Management Professional and Accredited Canadian Credit Union Director (ACCUD).

Committees:

- Audit and Risk, Member
- Human Resources, Member (May 17 – present)
- Investment and Loan, Member
- Nominations, Member (Jan 1 – Apr 18)
- Westminster Savings Foundation, Director (Jun 15 – present)



Hanne Madsen

Director since: 2015 Director term: 2015 – 2018

Background/experience:

Hanne is a senior executive with more than 20 years of experience in financial analysis, strategic planning, marketing, operational and HR management, as well as advocacy and media relations. Additionally she has 24 years of board and governance experience. As the former president and co-owner of DanFoss Couriers & Freight, Hanne has a proven track record in business acquisition and sale.

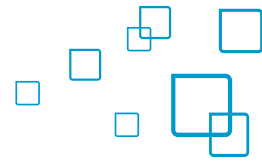
Hanne is chair of the Fraser Health Patient Care Quality Review Board. She also serves as chair of the Board of Governors of Kwantlen Polytechnic University and was formerly the chair for GroYourBiz, an advisory board for women business owners. She was recently appointed as the Regional Ambassador for Women Get On Board. In 2015, she was honoured with the Surrey Board of Trade Women in Business Award for Corporate/Leadership.

For several years, she volunteered as an instructor for Junior Achievement’s Dollars with Sense program. She is the former chair and director of the British Columbia Trucking Association, as well as a founding board member of the Trucking Safety Council of BC and the Sun Peaks Nordic Club.

Hanne holds a BBA from Simon Fraser University and a Certificate of Executive Management from the Segal Graduate School of Business at SFU.

Committees:

- Governance and Conduct Review, Member
- Human Resources, Member (Jan 1 – May 17)
- Investment and Loan, Member (May 17 – present)
- Nominations, Member (Jan 1 – Apr 18)
- Westminster Savings Foundation, Chair



Emmet McGrath

Director since: 2004 Director term: 2016 – 2019 Previous term: 1987 – 1996

Background/experience:

A chartered professional accountant (CPA, CA) and respected business advisor, Emmet has more than 30 years of experience in public accounting and private industry. He retired as partner from KPMG LLP in 2002.

Emmet was elected to the Westminster Savings Board of Directors in April 1987 where he served as director until 1996. He was re-elected to the board in 2004 following his retirement as partner at KPMG LLP. Emmet has served on the board of various mining companies over the years and is currently on the board of UEX Corporation and ZLC Financial Group. He is also a past director of Central 1 Credit Union and The Co-operators Group Limited.

Emmet is a graduate of the Directors Education Program at the Institute of Corporate Directors Corporate Governance College and is a panelist for ICD seminars.

Committees:

- Audit and Risk, Chair
- Investment and Loan, Member
- Nominations, Member



Patty Sahota

Director since: 2008 Director term: 2016 – 2019

Background/experience:

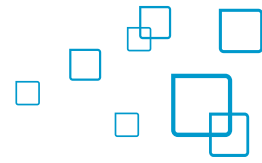
For the past 10 years, Patty has worked with and advised businesses, organizations and individuals on community engagement, corporate governance and the impacts of public policy. She is the vice president of Community Engagement and Strategy for Flavelle Oceanfront Development. Patty served on the board of the Industry Training Authority from 2010 to 2014, a provincial Crown corporation that oversees trades and apprenticeship training in B.C. She has also served on the Simon Fraser University Board of Governors.

Patty was elected to the Legislative Assembly of British Columbia from 2001 to 2005, representing the constituency of Burnaby-Edmonds. As a former MLA and minister, Patty worked with a wide variety of stakeholders: agencies, boards, committees and most importantly, the public. Previously, she served as an aide to former Premier Gordon Campbell. Prior to public service, she worked in the forestry industry.

Patty is a graduate of the Directors Education Program at the Institute of Corporate Directors Corporate Governance College. She holds a BA from the University of Victoria. Her philanthropic and volunteer endeavours include the World Partnership Walk, raising awareness for causes such as diabetes and cardiovascular health, and local issues affecting British Columbians.

Committees:

- Governance and Conduct Review, Chair
- Nominations, Member
- Investment and Loan, Member (Jan 1 – May 17)
- Westminster Savings Foundation, Director (Jan 1 – Jun 15)



Robert G. Shirra

Director since: 2010 Director term: 2015 – 2018

Background/experience:

Rob is a certified management consultant with more than 30 years of experience in strategic planning, program/project management, information and technology management, contract management and business development. He has an extensive background as a consultant in the transportation, telecommunications, government, retail and distribution industries. Rob is the former president of RGS Consulting International Inc. and is well-known for his entrepreneurial spirit, and his strengths and skills in communications, leadership, organization, innovation and analysis.

He is a Fellow of the Institute of Certified Management Consultants of British Columbia in recognition of his contributions to the industry.

Rob is a graduate of the Directors Education Program at the Institute of Corporate Directors (ICD.D) Corporate Governance College.

Committees:

- Audit and Risk, Member (*Jan 1 – May 17*)
- Governance and Conduct Review, Member (*May 17 – present*)
- Human Resources, Member (*May 17 – present*)
- Investment and Loan, Chair
- Nominations, Member (*Jan 1 – Apr 18*)
- Westminster Savings Foundation, Director (*Jun 15 – present*)



Art Van Pelt

Director since: 2013 Director term: 2017 – 2020

Background/experience:

Art is a strategic human resources and labour relations consultant with more than 30 years of experience and is currently a strategic human resources and labour relations advisor for Overwaitea Food Group. As the former vice president for People at Overwaitea Food Group, Art has extensive experience managing compensation, payroll, pensions and benefits, health and safety, disability claims, recognition, training, succession planning and labour relations.

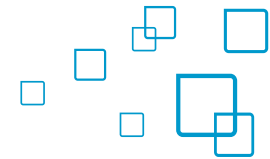
Art has been a credit union member since 1984.

He has served on various boards throughout his career, including the Canadian Grocery HR Council and Alouette Addictions Services Society. He is secretary and trustee of the United Food and Commercial Workers Industry Pension Trust and secretary 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 Directors Education Program at the Institute of Corporate Directors (ICD.D) Corporate Governance College.

Committees:

- Human Resources, Chair
- Nominations, Member (*May 17 – present*)
- Governance and Conduct Review, Member (*Jan 1 – May 17*)
- Investment and Loan, Member
- Westminster Savings Foundation, Vice Chair



COMPENSATION PHILOSOPHY

Westminster Savings 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 of Directors (board) represents the members and provides critical stewardship through guidance and oversight.

Westminster Savings 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.

It is vitally important that Westminster Savings attracts and retains qualified directors. There is competition for skilled directors and appropriate director compensation is seen as a key component to ensure that the board attracts qualified candidates.

The board's compensation philosophy is based on a number of factors, including:

- Alignment with the credit union's employee compensation philosophy;
- The size and complexity of the credit union;
- The responsibility and accountability of the board and individual directors;
- The expected degree of knowledge, specialized skills and experience required of individual directors;
- The time commitment of each director;
- Competitiveness with comparable urban credit unions in Canada, but not public companies of similar size or complexity; and
- Full disclosure to members on the total remuneration paid to individual directors for the previous fiscal year.

Accordingly, Westminster Savings has adopted the following board compensation philosophy:

The level of compensation paid to Westminster Savings' directors is at the median of large urban credit unions in Canada and below the level of the largest urban credit unions in British Columbia.

The board's compensation philosophy is reviewed annually.

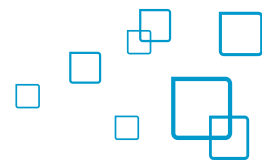
COMPENSATION

The members of Westminster Savings may approve by resolution at an annual general meeting, an aggregate amount that is available for the compensation of directors and committee members. Currently, the aggregate amount available for the annual compensation of directors is \$300,000.

The total compensation paid to directors for 2017 was \$253,965 (2016: \$258,108).

Honoraria for the 2017 board year:

Title	Annual Amount (2017)
Board Chair	\$33,000
Vice Chair	\$20,000
Director	\$15,800
Committee Chair	\$2,500



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

Meeting	Fee (2017)
Westminster Savings board meeting or board planning seminar	
In person	\$500
Conference call < 1 hour	\$200
Conference call > 1 hour	\$400
Board Committees	
In person	\$350
Conference call < 1 hour	\$150
Conference call > 1 hour	\$300
Orientation	\$300
Credit union delegate – industry-related meetings	\$300
Credit Union Director Achievement (CUDA®) Program (full day)	\$300

When multiple meetings are scheduled on one day, directors are compensated to a maximum per diem of \$700 regardless of the number of meetings attended.

EXPENSES

Reasonable expenses incurred by the board in performance of their duties as a director of Westminster Savings are eligible for reimbursement in accordance with the Directors Compensation, Benefits and Expenses Policy. Expenses eligible for reimbursement in circumstances where the director is conducting business of Westminster Savings include:

- Meetings of the board
- Meetings of a committee of the board
- Board business meetings
- Pre-approved director development programs

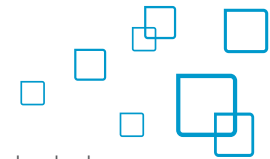
Expenses must be consistent with the values and employee policies of Westminster Savings and not perceived as excessive.

In addition, the board as a whole incurs expenses during the performance of their duties as a board:

- Expenses in connection with board planning sessions, (a two-day spring event and one-day fall event)
- Engaging consultants to provide guidance and expertise on a variety of matters
- Business development opportunities and conferences

The total overall board expenses incurred for 2017, which include fees incurred to engage third party experts to assist the board with the review of various credit union matters are \$153,945; (2016: \$44,636); (this amount does not include individual director expenses).

Individual director expenses for the 2017 board year can be found on pages 16 to 18.



EDUCATION

Westminster Savings recognizes the importance of ongoing education and training for directors in order to safeguard the effective oversight of the credit union and ensure that 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 B.C. law to complete Level A of the Credit Union Director Achievement (CUDA®) Program within a specified time period. All directors of Westminster Savings have fulfilled this requirement. In addition, Westminster Savings 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 \$7,500 per term (three years) toward the professional development of each director in their role as a director of Westminster Savings.

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

Loans to directors/related party transactions involving directors

Loans to directors are granted under the same terms and conditions as all other members of the credit union. In 2017, loans to directors totalled \$435,966 (2016: \$554,976) and none were in arrears.

There were no related party transactions involving directors during 2017.

Credit union industry directorships held by directors and officers

Darlene K. Hyde
Stabilization Central Credit Union (*appointed on April 28, 2017*)

Emmet McGrath
Central 1 Credit Union (*completed service on April 28, 2017*)

Directors of subsidiary companies

Mercado Capital Corporation

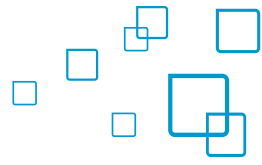
Gavin Toy, President and CEO
Mary Falconer, Chief Financial Officer and Corporate Secretary
Maury Kask
Greg Oyhenart
Brian Rogers, Chief Credit Officer
T.J. Schmaltz (*appointed on September 25, 2017*)

WS Leasing Ltd.

Gavin Toy, President and CEO
Mary Falconer, Chief Financial Officer and Corporate Secretary
Maury Kask
Greg Oyhenart
Brian Rogers, Chief Credit Officer
T.J. Schmaltz (*appointed on September 25, 2017*)

Westminster Savings Financial Planning Ltd.

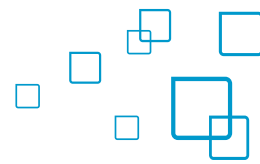
Gavin Toy, President and CEO
Mary Falconer, Chief Financial Officer and Corporate Secretary
Maury Kask
Greg Oyhenart
Brian Rogers, Chief Credit Officer
T.J. Schmaltz (*appointed on September 25, 2017*)



Attendance (board and committee meetings), compensation and expenses in 2017, by director

(For details of annual honoraria for board positions and meeting fees see tables on pages 13 and 14)

2017							2016	
Directors	Meetings	Attendance	Fees	Annual Honoraria	Total Compensation	Total Expenses ⁽⁹⁾	Total Compensation	Total Expenses
Darlene K. Hyde, ⁽¹⁾ Chair	Board	7/7	\$3,400 ⁽⁴⁾	\$28,562				
	Investment and Loan	3/3	\$1,050					
	Audit and Risk	2/2	\$700					
	Nominations	7/7	\$1,850 ⁽⁵⁾					
	Human Resources	2/2	\$700		\$38,362	\$7,352	\$30,012	\$3,891
	Credit Union Delegate – Industry Related	4/4	\$1,200					
	Orientation	3/3	\$900					
Ex officio attendance at other committee meetings	8/8	\$- ⁽⁶⁾						
Kathleen Kennedy-Strath, ⁽²⁾ Vice Chair	Board	7/7	\$3,500	\$21,067				
	Governance and Conduct Review	4/4	\$1,200					
	Audit and Risk	2/2	\$700					
	Nominations, <i>Chair</i>	8/8	\$2,000 ⁽⁵⁾		\$30,067	\$3,528	\$28,350	\$3,437
	Human Resources	2/2	\$700					
	Orientation	3/3	\$900					
Bill Brown ⁽³⁾	Board	7/7	\$3,500	\$22,037				
	Investment and Loan	2/2	\$650 ⁽⁶⁾					
	Audit and Risk	2/2	\$700					
	Nominations	7/7	\$1,800 ⁽⁵⁾					
	Human Resources	2/2	\$700		\$31,787	\$8,563	\$44,000	\$7,700
	Credit Union Delegate – Industry Related	5/5	\$1,500					
	Orientation	3/3	\$900					
	Ex officio attendance at other committee meetings	4/4	\$- ⁽⁶⁾					



2017							2016	
Directors	Meetings	Attendance	Fees	Annual Honoraria	Total Compensation	Total Expenses ⁽⁹⁾	Total Compensation	Total Expenses
James R. Ensom	Board	7/7	\$3,500	\$15,800	\$24,150	\$2,268	\$24,350	\$4,200
	Investment and Loan	4/4	\$1,400					
	Audit and Risk	4/4	\$1,400					
	Nominations	1/1	\$150 ⁽⁷⁾					
	Human Resources	2/2	\$700					
	CUDA® - Full day	1/1	\$300					
	Orientation	3/3	\$900					
Hanne Madsen	Board	7/7	\$3,400 ⁽⁴⁾	\$15,800	\$22,850	\$2,030	\$27,100	\$4,039
	Governance and Conduct Review	4/4	\$1,200					
	Investment and Loan	2/2	\$700					
	Nominations	1/1	\$150 ⁽⁷⁾					
	Human Resources	2/2	\$700					
	Orientation	3/3	\$900					
Emmet McGrath	Board	7/7	\$3,500	\$18,300	\$26,850	\$196	\$24,400	\$145
	Investment and Loan	3/4	\$1,050					
	Audit and Risk, <i>Chair</i>	4/4	\$1,400					
	Nominations	8/8	\$2,000 ⁽⁵⁾					
	Orientation	2/3	\$600					
Patty Sahota	Board	7/7	\$3,500	\$18,300	\$26,250	\$77	\$25,446	\$467
	Governance and Conduct Review, <i>Chair</i>	4/4	\$1,200					
	Investment and Loan	1/2	\$350					
	Nominations	8/8	\$2,000 ⁽⁵⁾					
	Orientation	3/3	\$900					
Robert G. Shirra	Board	7/7	\$3,500	\$18,300	\$26,350	\$4,891	\$25,700	\$1,451
	Governance and Conduct Review	2/2	\$700					
	Investment and Loan, <i>Chair</i>	4/4	\$1,400					
	Audit and Risk	2/2	\$700					
	Nominations	1/1	\$150 ⁽⁷⁾					
	Human Resources	2/2	\$700					
	Orientation	3/3	\$900					

2017							2016	
Directors	Meetings	Attendance	Fees	Annual Honoraria	Total Compensation	Total Expenses ⁽⁹⁾	Total Compensation	Total Expenses
Art Van Pelt	Board	6/7	\$3,000	\$18,300				
	Governance and Conduct Review	2/2	\$500					
	Investment and Loan	4/4	\$1,400		\$27,300	\$5,218	\$28,750	\$21,736
	Nominations	7/7	\$1,800 ⁽⁸⁾					
	Human Resources, <i>Chair</i>	4/4	\$1,400					
	Orientation	3/3	\$900					

Notes

- 1 Appointed as board chair effective May 4, 2017; ceased as vice chair effective May 4, 2017
- 2 Appointed as vice chair effective May 4, 2017
- 3 Ceased as board chair effective May 4, 2017
- 4 Board fees include one meeting by conference call lasting more than one hour
- 5 Nominations Committee fees include three meetings held by conference call lasting less than one hour
- 6 No meeting fee payable for ex officio attendance at committee meetings
- 7 Ceased as member of Nominations Committee effective April 18, 2017
- 8 Investment and Loan Committee fees include one meeting by conference call lasting more than one hour
- 9 Includes expenses incurred to attend industry-related events and director education courses

CEO COMPENSATION DISCLOSURE

Westminster Savings' 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

Westminster Savings 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, expenses and parking.

Westminster Savings 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 other financial

institutions within Metro Vancouver and the Fraser Valley, and for some positions, selected comparable credit unions.

Executive compensation

Total Rewards for the Executive Leadership Team, including the president and chief executive officer (CEO), are guided by this philosophy and the Human Resources Committee of the board (HR Committee) has provided further clarification that the market comparator is urban Canadian credit unions of similar size and that base salary 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 HR 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 HR Committee. The CEO's target STI rate for 2017 was 40% of base salary to a



maximum of 60% based on performance. While the STI was earned for performance in the 2017 fiscal year, actual payment was made in fiscal year 2018, once the 2017 results were finalized*.

The organizational results are measured based on a number of qualitative and quantitative factors that together form a balanced assessment of success of Westminster Savings, 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 HR Committee with a focus on key priorities identified to achieve the credit union’s strategic objectives.

Long-term incentive plan

On January 1, 2016, Westminster Savings implemented a long-term incentive (LTI) plan. This plan is designed to reinforce long-term growth and effective management of the credit union using quantifiable metrics across overlapping three-year periods. The LTI aligns with the credit union’s Total Rewards philosophy and uses a weighted combination of both financial (75%) and non-financial (25%) metrics, which are annually approved by the HR Committee and paid out at the end of the three-year grant period based on performance. The first eligible payout will be in 2019 (for 2016 – 2018)**.

For the fiscal year ended December 31, 2017, the total compensation earned by the president and CEO included:

	2017	2016
Base salary	\$371,716	\$366,073
Short-term incentive plan*	\$223,029	\$183,036
Long-term incentive plan**	\$0	\$0
Total	\$594,745	\$549,109

Benefits and pension

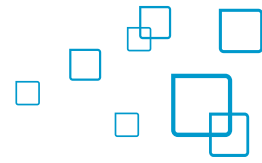
The CEO participates in the same flexible health benefit plan that is provided to all employees. This plan consists of a flexible benefit coverage that can be tailored to individual benefit needs based on an allocation of the flex credits provided. Short- and long-term disability insurance premiums are paid directly by employees.

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 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 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.



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